TODAY'S WEATHER FORECAST — PARIS: Sunny. Temp. 43-33 (6-0). Tomorrow partly cloudy. Yesterday's temp. 43-32 (6-0). LONDON: Cloudy. Temp. 45-34 (7-1). Tomorrow little change. Yesterday's temp. 45-36 (7-2). CHANNEL: Moderate. ROME: Sunny. Temp. 54-41 (12-5). NEW YORK: Sunny. Temp. 58-35 (15-2). Yesterday's temp. 58-37 (15-3).
ADDITIONAL WEATHER—PAGE 2

INTERNATIONAL Herald Tribune

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Austria	5 S.	Lebanon	90 P.
Belgium	13 B.Fr.	Luxembourg	14 L.Fr.
Denmark	2.25 D.Kr.	Morocco	1.50 Dr.
Eire (inc. tax)	11 P.	Netherlands	1 Flor.
Finland	1.40 F.M.	Norway	2.25 N.Kr.
France	1.40 Fr.	Portugal	8 Esc.
Germany	1 D.M.	Spain	18 Ptas.
Great Britain	10 P.	Sweden	1.75 S.Kr.
Greece	10 Drs.	Switzerland	1.20 S.Fr.
India	Rs. 3.00	Turkey	T.£5
Iran	25 Rials	U.S. Military	$0.20
Italy	200 Lire	Yugoslavia	6 D.
Israel	I.£1.20		

U.K. Opinion Still Divided

Europe's Era of '9' Off to a Quiet Start

BRUSSELS, Jan. 1 (AP).—Britain, Ireland and Denmark joined the Common Market today a historic event marked by no excitement at all.

Britain was entering "almost as a thief in the night," said the London Times.

Prime Minister Edward Heath attended the funeral of former Prime Minister Lester Pearson in Canada. He issued a prerecorded statement saying:

"I think in their phlegmatic and pragmatic way the British are now waiting for action and as we in the community take action then I think more and more will then respond to it."

A British public opinion poll found 39 percent of its sample

● Pre-EEC invasion by things British. Page 2.

unhappy with membership, 38 percent content and 23 percent with no opinion.

Opposition leader Harold Wilson promised to let the voters decide, if and when his Labor party returns to power.

Flags of the nine member countries were raised outside the headquarters of the Common Market Executive Commission. Market Executive Commission.

Protocol Matters

Ewen Fergusson, a senior official of the British mission, delivered a couple of letters today from Sir Alec Douglas-Home, the British foreign secretary. They were Britain's first communications as a member. They were addressed to the Executive Commission and dealt with routine matters of protocol.

Later Mr. Fergusson went across the Place Schuman to a pub called the Queen Victoria and read a message from Mr. Heath to a group of some 130 tourists from Doncaster, northern England.

"Many people in Doncaster," Mr. Heath said, "have been aware for some time of the great advantages of tackling the community market from the inside. But, at the same time, they have known that—vast though the benefits can be—none of them will be realized without a good deal of enterprise."

Some people from Doncaster were not enthusiastic about entering the EEC. Said George Mitchell:

"A lot of us thought we should have had a Common Market with the Commonwealth and that we're paying too much for Europe. We've been checking prices. In Doncaster beef is 78 pence a pound. Here it's 20 shillings."

It was the difference between $1.83 and $2.35.

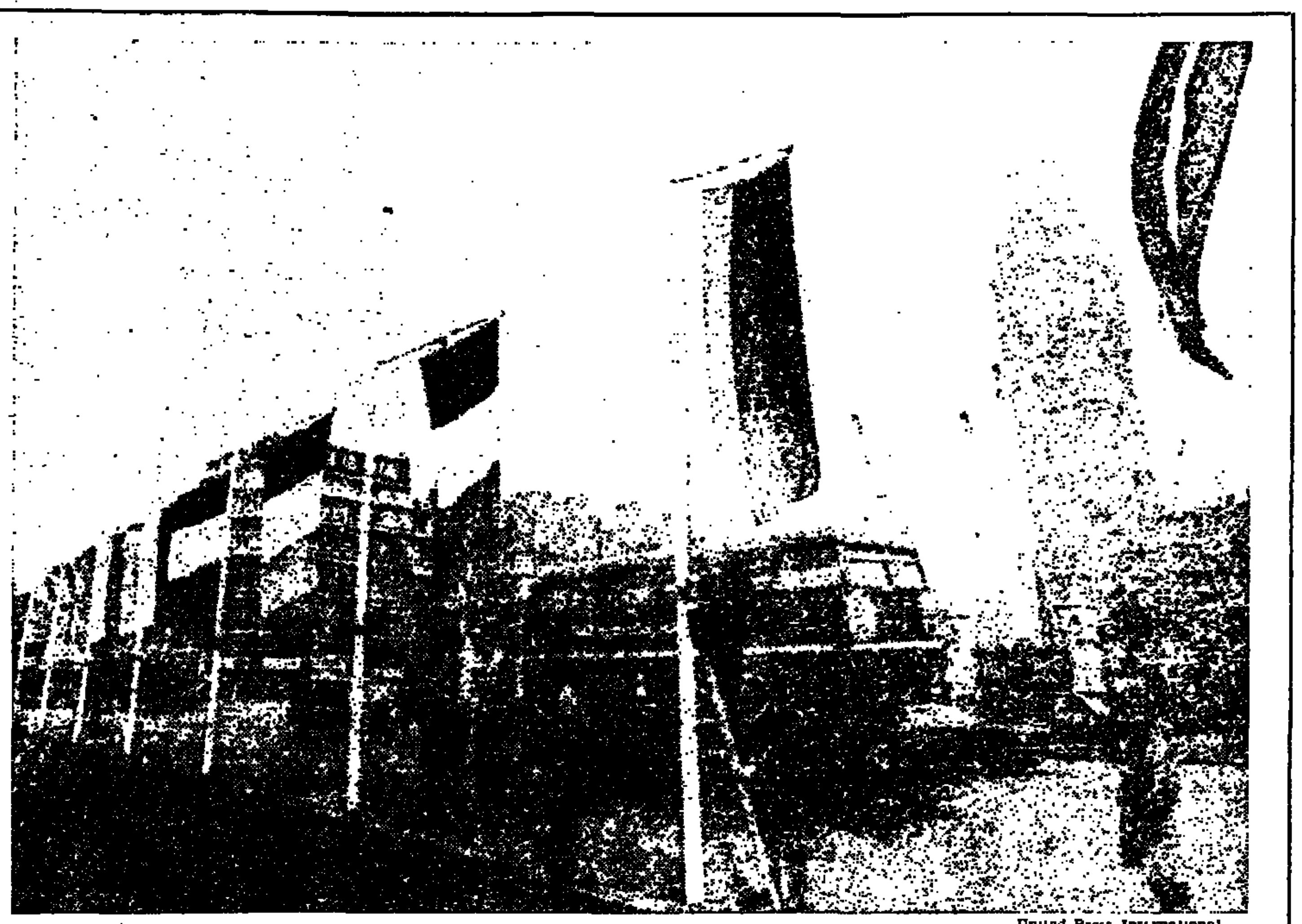
In Dublin, Irish Prime Minister Jack Lynch said in a press statement message:

"It is my belief that many of the economic and social differences which exist between north and south Ireland will rapidly disappear when we have fully adapted to community membership."

Nine trees were planted along the banks of the Royal Canal by Senator Eoin Ryan, chairman of the Executive Council of the European Movement.

The Irish government issued a special stamp to mark the country's entry into the EEC. The government also decreed

(Continued on Page 2, Col. 2)



NEW ERA—Flags of the nine members of the enlarged Common Market flying in central London yesterday.

United Press International.

Thieu Resigned To a Truce Pact, Saigon Reports

By Peter Osnos

SAIGON, Jan. 1 (WP).—President Nguyen Van Thieu will not stand in the way of a cease-fire agreement that he believes will come out of next week's talks in Paris, sources close to the South Vietnamese president said today.

Mr. Thieu's most trusted aides already are talking of the cease-fire and the political-military struggle they face in the months ahead as a foregone conclusion and do not even mention the possibility that Saigon might reject the accord. "We know that for us it will be far from the ideal settlement," one prominent member of Mr. Thieu's personal staff said. But he acknowledged that further resistance undoubtedly would mean an end to vital American assistance.

Mr. Thieu's aides spoke in private conversations and not at any formal background briefing session.

New Period Opens

The only public reflection of Mr. Thieu's changed stance came today in Tin Song, the newspaper that most closely reflects the president's views and is published by Hoang Duc Nha, the Thieu aide involved in the bargaining with American emissaries. "The fighting period has ended," the newspaper said, "and the negotiating period has begun."

The editorial, taking a position also voiced by Mr. Thieu's advisers, suggested that if a cease-fire is further delayed, it will be because of Hanoi's objections, not Saigon's.

"One can predict that if the United States is again met by stubbornness from Hanoi," the newspaper said, "the intensity of the American reprisals will be beyond imagination."

The comment, observers here said, reflects an awareness on the part of Mr. Thieu and his advisers of how impatient Americans have grown with efforts to end the U.S. role in the war. The way the United States felt about Mr. Thieu's reluctance to go along with the original agreement, one Thieu aide said with a smile, "those bombs of the past two weeks could have been falling on Saigon instead of Hanoi."

Enough Ambiguity

So far, there is enough ambiguity left in Mr. Thieu's official actions to leave him a fall-back position if he decides once again to stall for time. For example, Tin Song reported last night that Mr. Thieu is sending two of his senior diplomats on a 30-day mission to explain Saigon's stand at the peace talks to foreign leaders.

The emissaries—Bui Diem, until recently ambassador to Washington, and Tran Van Do, an experienced negotiator and former foreign minister—will explain, the newspaper said, Mr. Thieu's insistence that Hanoi "approve in reality" the existence of two governments in Vietnam—North and South.

That is a fundamental issue in the Vietnam conflict but Mr. Thieu's aides recognize that it can be handled adequately by leaving the question unresolved in the written agreement as one of the many matters that will

(Continued on Page 2, Col. 4)

U.S., Hanoi Experts Meet Again Today

Prepare for New Talks By Kissinger and Tho

PARIS, Jan. 1 (Reuters).—United States and North Vietnamese technical experts return to the conference table here tomorrow following President Nixon's decision to suspend the 12-day-old large-scale bombing of Vietnam north of the 20th parallel.

The talks are regarded as purely preparatory to the major discussions between U.S. presidential envoy Henry Kissinger and Hanoi emissary Le Duc Tho, due to resume here Jan. 8.

A halt to bombing north of the 20th parallel, including the capital, Hanoi, and the port of Haiphong, and a resumption of the peace talks which broke down two weeks ago were announced by the White House two days ago. Confirmation came today from North Vietnam, which said it has agreed to resume peace talks with the United States following the bombing pause.

At tomorrow's talks, experts from both sides are expected to work out protocols to implement a basic peace agreement.

Good Diplomats

Asked if he was optimistic, a U.S. delegation spokesman said today, "Good diplomats hide their feelings. We don't want to anticipate. We want developments to speak for themselves tomorrow."

The North Vietnamese here declined to comment.

After the announcement of President Nixon's decision to halt bombing of the Hanoi-Haiphong area, the North Vietnamese delegation issued a relatively mildly worded statement here on Saturday saying the United States was not able "to subjugate the Vietnamese people."

The statement said, "The U.S. suffered heavy losses and was severely condemned by large sectors of public opinion."

It said North Vietnam had always shown its good will and serious attitude. The Americans must manifest the same attitude "in order to arrive rapidly at the signature of the agreement on the end of the war," it added.

All formal contacts between the United States and the North

(Continued on Page 2, Col. 5)

467 Killed in 1972

New Year Starts With Bombs, Bullets in Northern Ireland

BELFAST, Jan. 1 (UPI).—The new year began in Northern Ireland the same way the old one ended—with gunfire and bomb blasts.

Police and British Army figures said 467 persons died violently during 1972, more than twice the number killed in the preceding 3 1/2 years since violence began between Protestants and Roman Catholics in the province.

Within an hour after the start of 1973, gunmen shot and seriously wounded a man in the New Lodge Road area of Belfast.

The army said gunmen fired shots at army posts in the Ardoyne district of Belfast in minutes. There were no casualties and soldiers did not return the fire, the spokesman said.

In Newtown Butler, 65 miles south of Londonderry, near the Irish Republic border, a bomb blast badly damaged a garage but caused no casualties.

In Carrickfergus, seven miles northeast of Belfast, four masked men forced their way into a house and took away four shotguns and a pistol.

Three fire bombs were thrown through the window of a house in a Roman Catholic estate in Bangor, eight miles east of Belfast, slightly injuring a woman.

Revised Figures

In revised figures issued today, Belfast police said 323 civilians were killed in Northern Ireland in 1972, together with 103 troops of the British Army, 24 members of the Ulster Defense Regiment militia and 17 policemen or police reservists. Army spokesmen contended the army and militia figures.

It brought the total of deaths in the violence since August, 1969, to 678 persons. Of these, ... were civilians, 146 British soldiers, 39 militiamen and 31 policemen.

Thirteen persons died violently in 1969, 25 in 1970 and 173 in 1971, police said.

The Provisional wing of the Irish Republican Army said in a New Year's message to British troops that it would increase the violence in Ulster this year.

"You are imperialist foreigners, lording it over this last part of your inglorious and infamous empire," the message said. "We guarantee that you will be fought with even greater vigor in the coming year."

Catholic Couple Found Slain Just Inside Ireland's Border

DUBLIN, Jan. 1 (UPI).—A young engaged couple was found shot to death today on a lonely road just inside the Irish Republic's border with Northern Ireland, a police spokesman said.

He identified the victims as Oliver Boyce, 25, a carpenter, and Breedge Porter, 24. The victims had been driven to a lane about 300 yards off the main highway and shot through the head, police said.

Local people heard about 15 shots and a woman screaming shortly before 2 a.m., the police spokesman said.

"The man was shot first—that was probably when the woman screamed—and the woman's body was sprawled on top of him. Both victims were Roman Catholics," he said.

Police said they were checking reports that the victims had been members of the Provisional wing of the Irish Republican Army who had been expelled a few days ago.

"So far, we have not come up with the motive for the double killing," the police spokesman said.

A spokesman for the Provisional IRA said: "We resent any suggestion that we were in any way involved in these killings. We do not make war on women."

210,194,312 Americans

WASHINGTON, Jan. 1 (AP).—The United States began 1973 with a population of 210,194,312, the U.S. Census Bureau estimated. The net gain in population during 1972 was 1.6 million, the bureau said. This was a slowdown from 1971's 2 million and 1970's 2.2 million. The largest annual increase ever recorded was 3.1 million in 1956.

Special Section

Included in today's editions of the International Herald Tribune is a special section, Pages 13 through 24, on the City of London, with special emphasis on the City's role and prospects in the enlarged European Economic Community.

Ailing Pope Says Peace Must Be Achieved in 1973

VATICAN CITY, Jan. 1 (AP).—Pope Paul VI, despite a mild attack of influenza, appeared at the window of his apartment in the Apostolic Palace today to deliver his New Year's speech. In his address, the Pope declared that peace must be achieved "at any cost."

His illness forced the Pope to cancel a visit to a home for crippled children two miles from the Vatican earlier in the morning. He spent most of the morning in his bedroom. He appeared at the window of his study at noon and said:

"The attack of influenza which to our regret has prevented us from going to the Don Orione Institute . . . cannot prevent us from expressing the wish that the New Year may be a year of re-found and strengthened peace."

He said that his good wishes were "for those countries which we all know are still suffering with the desire that the conflicts which torment them may have an honest, humane and happy conclusion."

"Peace is possible, must be possible. We must want it at any cost," the Pontiff said.

More Struggles With Nixon Loom

New Congress Faces Leftover Work

By Richard L. Lyons

WASHINGTON, Jan. 1 (WP).—The 93d Congress, which convenes Wednesday, faces a heavy load of leftover work and a series of struggles with President Nixon over the powers of President and Congress.

This is the third Democratic Congress to serve with Mr. Nixon. He becomes the only President whose party, at the start of his second term, has never controlled either house.

Ideologically, the new Congress is about the same as the last. Democrats gained two Senate seats. Republicans gained 13 House seats, but several were won from conservative Southern Democrats who usually voted like Republicans. The slightly smaller group of House Democrats is slightly more liberal and probably more receptive to change, such as modifying the seniority rule and generally opening up the system.

The party makeup of the 93d Congress is the same as the 91st, when Mr. Nixon took office four years ago. Democrats control the Senate, 57 to 43, and will control the House by 243 to 192 if three vacant seats remain Democratic.

Mr. Nixon's position is quite different than four years ago, when he won office narrowly but had the party power of a president certain to seek re-election. Now he has won by a landslide but cannot run again.

President vs. Congress

The President's victory by 61 percent of the vote probably will make Democrats less eager to wage frontal attacks on him. But the knowledge that he will not be on the ticket again, coupled with some Republican resentment that he did not do everything he could to help their campaigns, probably will cause more Republicans to break ranks on party issues.

Quite apart from, and potentially bigger than, the fights over specific legislation is the growing institutional struggle over the powers of the President and the Congress.

For 40 years, Congress has grumbled about the loss of its power to the huge executive branch it constructed. This has intensified during four years of a strong President and an opposition Congress. It was seen most graphically in the so-far losing efforts of Congress to take control of the Indochina war, and in Mr. Nixon's so-far losing attempts to hold down government spending by a legislated ceiling he would control. He is achieving the same result, however, by refusing to spend appropriated funds.

Last week, Rep. Robert Leggett, D., Calif., sent out an angry letter to all Democratic senators and representatives stating that Mr. Nixon has ignored Congress repeatedly by impounding appropriated funds and resuming the bombing of North Vietnam. He demanded to know:

"Are we a limp bunch of pumpkins, or do we have the intestinal fortitude to reassert ourselves?"

He said the Democratic majority "should grind the Congress and the committees to a halt

(Continued on Page 2, Col. 3)

Bombing Cuts Fail to Soothe Critics of Nixon in Congress

By Seymour M. Hersh

WASHINGTON, Jan. 1 (NYT).—There were strong signs yesterday that President Nixon's halt in bombing above the 20th parallel in North Vietnam had brought him little, if any, respite from congressional criticism of his Vietnam policies.

House Democrats will caucus tomorrow—the day before Congress is scheduled to convene—and vote on a sense-of-the-party resolution calling for a cut-off in military spending in Southeast Asia.

Later in the week, a House Foreign Affairs subcommittee will hold hearings on the effect of the Vietnam bombing policy on U.S. diplomacy in Europe, with special emphasis on the strained relationship between Washington and Stockholm.

Sponsors of the two moves insisted in interviews yesterday that neither the halt in the bombing north of the 20th parallel nor the announcement of the resumption of the secret peace talks in Paris on Jan. 8 would affect sentiment for strong action.

No Change in Views

The Democratic Caucus resolution was proposed last week by Rep. Lucian N. Nedzi, D., Mich., who declared yesterday that his views on the President's Vietnam policies had not been altered by the White House announcement.

"We still don't know what he has in mind in the event he is not able to arrive at a cease-fire agreement," Rep. Nedzi said. He is the eighth-ranking member of the House Armed Services Committee and chairman of its intelligence subcommittee.

He accused the President of "doing everything secretly."

"Not only are the people and the Congress unaware of his intentions," Rep. Nedzi added, "but some high-ranking people even in his own administration don't know."

House aides said that the pending resolution—which would establish a Democratic party policy on the Vietnam war for the 93d Congress—had attracted the support of many of the more moderate members.

Test for Albert

Some members suggested that the Nedzi resolution would provide an immediate test of the leadership of House Speaker Carl Albert, D., Okla. Rep. Albert was quoted by news agencies as praising the President's decision to halt the bombing, declaring that it would "take away a very divisive issue while we have so many other things to do."

Hours after the White House announcement, Common Cause, the national public service organization, made public the text of a telegram it had sent to all House Democrats urging support of the Democratic Caucus measure. In a special message to Rep. Albert, the Common Cause president, Jack Conway, declared that the pending measure was "a signal that the war should not continue endlessly.

"In no way does this hurt the

(Continued on Page 2, Col. 3)

Baseball Star Clemente, 4 Die In Plane Crash

SAN JUAN, Puerto Rico, Jan. 1 (UPI).—U.S. National League baseball star Roberto Clemente and four other persons died in the crash of a cargo plane headed for earthquake-stricken Nicaragua, Coast Guard and Puerto Rican authorities said today.

The four-engine DC-7 developed engine trouble after takeoff from San Juan airport at 9:15 p.m. yesterday and crashed in the Atlantic Ocean about a mile from shore, the Coast Guard said.

Mr. Clemente, an 18-year veteran of the major league Pittsburgh Pirates, was head of a committee which gathered relief supplies for the survivors of the earthquake which wiped out Managua.

Gov. Luis A. Ferre of Puerto Rico issued a proclamation ordering three days of official mourning because of "the death of the great Puerto Rican, Roberto Clemente."

A Clemente obituary is on Page 11.

Below 20th Parallel Too

New Year Bombing Pause Over All of North Vietnam

By Fox Butterfield

SAIGON, Jan. 1 (NYT).—American warplanes temporarily halted their bombing today against targets in North Vietnam below the 20th Parallel and in all South Vietnam to observe a New Year's Day cease-fire, United States officials indicated.

The 24-hour pause in the fighting proclaimed by the Saigon government began at 6 p.m. Saigon time yesterday and ran until 6 p.m. today. A similar truce declared by the Communists expired one hour later.

The New Year's Day cease-fire was separate from the United States' indefinite halt in the aerial campaign against the Hanoi-Haiphong region and other areas above the 20th Parallel in North Vietnam, which began Saturday.

The South Vietnamese command reported 34 Communist violations of the New Year's cease-fire, fewer than the 40 Communist-initiated incidents reported on the day before the truce began. A Saigon military spokesman said 10 South Vietnamese had been killed in the violations and 63 wounded, with 35 Communists killed.

Major Action

The only major fighting during the cease-fire occurred near the devastated city of Quang Tri, just south of the Demilitarized Zone (DMZ) where North Vietnamese gunners reportedly poured over 300 rounds of mortar and artillery fire into government paratroop positions and several sharp ground clashes also took place.

Although several American officials privately indicated to newsmen that U.S. planes had temporarily stopped their attacks over southern North Vietnam and South Vietnam for the New Year's

(Continued on Page 2, Col. 6)

Students in Cairo Continue Boycott

CAIRO, Jan. 1 (UPI).—Students at Cairo University today boycotted classes for the third day to protest the arrest of a number of students last week.

Government sources said that 63 persons, among them 50 students, were arrested in connection with clashes between extreme leftists and rightists on the university campus.

A statement by the office of Prosecutor General Maher Hassan said yesterday that an investigation was under way "of some students and other elements accused of disseminating provocative propaganda and spreading false and tendentious reports and rumors which undermine national unity."

What No One Has Paid For, No Man Has Put Asunder

PHOENIX, Ariz., Jan. 1 (AP).—When the late V. L. Hash, a ...armed lawyer known for picking up a lot of walk-in divorce business, failed to receive his fee, he simply forgot to legalize the separations.

...d tomorrow, faced with 200 ...ces that probably aren't ..., the Arizona Supreme Court begin trying to unravel what took Hash 40 years to accomplish.

...man E. Linder of Phoenix, ... thought he was divorced ... his first wife in 1947 and since remarried, still thinks ... Hash and not at all fondly.

... I can say is those people ... there had better be careful or old Hash will be getting to them too. I'd say the same thing to that old son of a buck if he were still around. Matter of fact, I paid him."

The strange tale of Hash and the forgotten divorces began in the 1930s. Under an Arizona law that still stands, a judge makes the oral divorce decree, but the attorney involved must file the written one with the court clerk before it becomes legal.

Hash's method—which he used primarily in the 1930s but continued into the early 1950s—was simple. No money, no divorce.

His niece, Virginia Hash, who also is a lawyer, recalls that her uncle always cautioned his clients: "You're not divorced until this decree is filed and it's not going to be until I'm paid."

James Shrimsher apparently didn't listen closely. He used Hash three times in the early 1930s as his divorce attorney. Mr. Shrimsher can't be found these days, but Hash's niece holds all three of his divorces, unfiled.

Miss Hash, who became co-executor of her uncle's estate when he died six years ago, says she found unfiled decrees involving some 200 couples while going through his papers recently.

While only a handful of the couples involved have been located, the questions of bigamy, estates left by deceased mates and the legitimacy of new marriages must be answered.

To clear up the confusion, Miss Hash has proposed to Superior Court Judge Laurens Henderson that he file all 200 decrees nunc protunc—in other words, doing now what should have been done in the first place.

If the supreme court approves her plan, Judge Henderson will file the decrees and the separations will, finally, become legal.

"I'm not worried," Mr. Linder said. "I haven't seen my first wife since that divorce in 1947 and there's nothing of mine she can get her hands on. But, where'd you say that hearing is going to be held?"

A Cross-Channel Romance

British Things Made Entry Into EEC Before Official Date

By Clyde H. Farnsworth

PARIS, Jan. 1 (NYT).—A Parisian, invited home to dinner by some French friends the other day, was served a Christmas pudding. Lapin Gallois à la Lord Snowdon is making its appearance on some French restaurant menus. *The dish is simply welsh* rarebit. Hungry on the Champs Elysees? Try the Red Lion for a tasty steak and kidney pie.

An English food invasion of France can only mean two things: The French have lost their senses or the French are in love.

It's probably the latter. As Britain finally joins the European club of nations known as the Common Market, not just the French but all continentals are fascinated by their cousins across the water.

Of course, there's a little anxiety, too, especially in the business circles thrown off balance by the British investment money that has flooded continental centers over the last 12 *months.*

Overvalued Pounds

The British used overvalued pounds, as Americans had been *using overvalued dollars in the* last decade, to buy continental property and industry. The French tightened their controls to keep some of the British money out.

Yet part of the resentment was offset by knowledge that lucrative new markets will open for continental exporters when more than 60 million consumers in Britain, Ireland and Denmark are linked to the internal free-*trade arrangements of the EEC.*

The shoe manufacturer in Milan or the dyestuffs maker in Leverkusen will find that his products are more competitive inside Britain and will perhaps displace either local British or foreign suppliers.

British manufacturers get reciprocal advantages on the Continent, which could mean a cold bath for a lot of people.

The hope is that the results will be not only greater efficiency and more productivity but also higher general living standards, a fairer distribution of the wealth and eventually an economic and political union of Western Europe.

That's a tall order, and everyone knows it. There is none of the starry-eyed idealism that *accompanied earlier postwar* moves toward European integration. There is instead a realistic assessment of the magnitude of the problems.

As a sample of what's in store, Common Market ministers, including the British, spent 48 hours a few days before Christmas coming to an agreement over the amount of Cyprus sherry that Britain should be permitted to import as a member of the EEC.

In trying to make a single unit out of nine different economies, some interests are going to be hurt—for instance, a truck manufacturer in Lyons whose vehicles have heavier axle weights than regulations permit in other EEC countries.

This is why there are—and will continue to be—such fights in Brussels.

Yet, to look at the positive side, the British membership question, the cause of so much argument in the past, has finally been resolved, and the British, at least so it appears to the continentals, are intent on making the Common Market work.

But that's the stuff of the future, after the marriage. For the time being, the water is warm and romance is in the air.

In Frankfurt, Basel and Brussels the "scene" is being made in the crowded rooms where the bitter and mild and lime and lager are served.

There is a high mortality rate for American-style hamburger havens in Germany, but the pubs —which no longer even need a retired English wing commander and his wife to grace the saloon bar—seemingly have an endless lease on life.

One pub, 100 percent Walloon-owned, even opened in the farming town of Wavre, south of Brussels.

On the Continent, things British are smart, like the whisky aperitif at fashionable and not-so-fashionable dinner parties, like the tweed suit in the Burberry window in Brussels, like the disc jockey's voice at the Voom Voom *in Vienna, like the red Mini* parked outside the Griffin Club in Geneva.

For the continental rich, the ultimate in conspicuous consumption is not a Cadillac or a Mercedes, but a Rolls or a Bentley.

Communication Point

The new romance also has turned eyes to Britain's greater freedom of communication. The independence of the British Broadcasting Corporation is often cited by critics of the French radio and television organization *(ORTF), which is not only* controlled by the government but also run by it in such a way that nothing unfavorable to the Gaullist administration is ever disseminated.

There is a fantastic curiosity about the "British way of life," *at least* the way the continentals imagine it, which does not exactly match the real thing.

As the continentals grow warmer toward Britain, they appear *to be becoming colder toward* the United States.

The recent intensification of the air war in Vietnam has not improved the American image.

Continentals wonder what President Nixon has in mind for Europe after he finishes up, if he ever does, in the Far East.

Britain is accepted as being in the same boat as the continentals when the expected economic battles break out between Europe and the United States.

Britain to Try To Pay Malta Its Usual Sum

LONDON, Jan. 1 (Reuters).—The British government has instructed the Bank of England to pay Malta today a £3.5 million installment for the use of military facilities on the Mediterranean island.

A British Foreign Office spoksman told reporters here that this is the installment due today under the March Anglo-*Maltese agreement on the use of* British bases.

But Britain is not paying the extra sum that Maltese Prime Minister Dom Mintoff wants. Mr. Mintoff had asked for an additional 10 percent payment as compensation for losses resulting from the floating of the pound last June.

He has instructed the Maltese Central Bank not to accept today's installment unless it is accompanied by an *additional 10* percent.

Britain has refused to make additional payments because the March agreement does not provide *for these. The British government* is keeping in close diplomatic touch with its NATO partners about developments.

Pearson Buried In Private Rite

WAKEFIELD, Quebec, Jan. 1 (AP).—Lester Bowles Pearson, 14th prime minister of Canada *and winner of the Nobel Peace* Prize, was buried yesterday in a $10 country graveyard plot he bought 30 years ago.

Only the family, closest friends and a few others attended the final five-minute rite in a freezing rain that kept many world dignitaries *from attending earlier services in* Ottawa, 25 miles south. Mr. Pearson died Wednesday of cancer at 75.

Prime Minister Edward Heath of Britain was the only foreign leader able to attend the funeral. Vice-President Agnew returned to *Washington when his plane could* not land in Ottawa.

The state funeral was held in Christ Church Anglican Cathedral after the body lay in state on Parliament Hill. Prime Minister Pierre Elliott Trudeau, who succeeded Mr. Pearson in office in *1968, led honorary* pallbearers.

Brezhnev Sees Marchais

MOSCOW, Jan. 1 (AP).—Soviet Communist party leader Leonid Brezhnev conferred last Friday with Georges Marchais, general secretary of the French Communist party, to discuss party relations and French election strategy, Tass reported today.

Nixon Facing Fight on War In Congress

Democratic Caucus Weighs Resolution

(Continued from Page 1)

President's negotiations," the telegram said.

Similarly, Rep. Benjamin S. Rosenthal D., N.Y., chairman of the House Foreign Affairs Subcommittee on Europe, emphasized that his group would begin hearings this week despite the scheduled resumption of peace negotiations.

Probe of Bombing

A State Department spokesman said that Secretary William P. Rogers would not appear before the subcommittee, which will investigate the effects of the Vietnam bombing policy on U.S. diplomacy in Europe. In view of the renewal of negotiations, the State Department official said, Mr. Rogers "does not consider it would be appropriate" to testify.

Rep. Rosenthal declared that, in his view, the halt in bombing "doesn't change what's going on."

"We don't know when we're going to begin another one of these orgies all over again," he declared. "We have to have an orderly diplomatic process. We can't treat foreign governments like naughty children, put them in a closet and spank them."

The State Department also said yesterday that Mr. Rogers would not appear at a special session of the Senate Foreign Relations Committee, as requested by the committee chairman, J. William *Fulbright,* D., Ark., to discuss the administration's Vietnam policy.

Kennedy's Plans

A spokesman for Sen. Edward M. Kennedy, D., Mass., chairman of the Senate Judiciary Subcommittee on Refugees, reaffirmed that Sen. Kennedy would pursue his inquiry into the rules of engagement covering the bombing of North Vietnam and the Pentagon's *assessment of civilian* war damage.

The spokesman said that a letter from Sen. Kennedy to Secretary of Defense Melvin R. Laird *concerning the rules of engagement* was sent Friday, a day before the announcement of the halt in the bombing.

"We sort of anticipated a bombing halt," the spokesman said. "We'll pursue it—no question about it." The Pentagon has declared that much of the requested information was unavailable.

United Press International.

***GIVING THANKS—Under a protective umbrella, the Rev. Daniel Berrigan (in center)* and the Rev. Ned Murphy pour wine from a jug into paper cups on Sunday as radical priest prepared to say *mass outside of* New York's St. Patrick's Cathedral. About 100 persons heard him thank God for the bombing halt above North Vietnam's 20th parallel.**

Aides Already Laying Plans

Thieu Resigned to Truce Pact, Saigon Reports

(Continued from Page 1)

have to be dealt with once the Americans are gone.

Thieu Remarks

At a New Year's Eve reception *for diplomats, Mr. Thieu made* remarks that led some observers to conclude that he is still opposed to the proposed cease-fire because Communist forces re*maining in the South* would seek to "exploit new conditions more favorable to them."

While Mr. Thieu does believe that the North Vietnamese will attempt territorial inroads in the "twilight" period before and after the cease-fire, according to his aides, he realizes that he can no longer resist the agreement on those grounds.

After his prepared remarks to the diplomats, Mr. Thieu said that he was confident that his *government could stand up to* the challenges posed by the coming agreement and would ultimately defeat the Communists in any elections.

A Thieu aide said that the president is convinced that a major propaganda campaign by the gov*ernment in the last two months,* which was intended to arouse the public on behalf of the Saigon regime, had met with considerable success.

Experts' Talks on Vietnam To Resume in Paris Today

(Continued from Page 1)

Vietnamese were cut during the *Hanoi-Haiphong bombing,* and the most prominent man on the Indochina peace front in Paris in recent days has been French Foreign Minister Maurice Schumann.

Last week he had talks with U.S. delegation head William Porter, American Chargé d'Affaires Jack Kubisch and North Vietnam's diplomatic representative Vo Van Sung.

France, which has been host to the talks for four years, has consistently declined to comment on their progress, but when Mr. Schumann heard *that the Hanoi-*Haiphong bombing had been halted he said, "Hope is reborn. I am beginning to believe that our efforts will not have been in vain."

Informed observers meanwhile said they believed the semi-public peace talks would resume Thursday, when delegates from all four sides would hold their first full session since Dec. 14.

Kissinger to See Nixon

WASHINGTON, Jan. 1 (AP).—As a prelude to resuming private peace negotiations in Paris, presidential adviser Henry Kissinger plans intensive talks with President Nixon about Vietnam.

The White House said yesterday that Mr. Kissinger will return to Washington from southern California tomorrow for the discussions with the President. The announcement did not specify when Mr. Nixon and Mr. Kissinger would meet.

More Struggles With President Seen

New Congress Is Facing Leftover Work

(Continued from Page 1)

until we can reach an agreement with the President to share the power of government."

Spending Issue

Congress is not likely to do anything so drastic, but the struggle will continue. Democratic leaders are talking of *drafting their own legislative* program to counter the President's, which is expected to contain little that would require new spending. The spending issue will be joined again within the first two months, when Congress must pass a new health, education and welfare appropriation bill *for the* year half gone, which Mr. Nixon twice vetoed as too large.

An attempt to limit the power of a president to wage war without approval by Congress will be made again in the Senate. One Senate investigation is also planned into possible repeal of various emergency powers that *presidents* have had for a generation. Another will deal with executive privilege—the power of presidents to withhold information from Congress.

But it will take Congress nearly a month to get itself organized to do much legislating. One vehicle for a hurry-up attempt to cut off further funds for combat in Indochina could be the foreign aid appropriation bill, which was left hanging when *the old* Congress quit and must be resolved before the end of February.

No major leadership changes are expected, except for the elevation of *Rep.* Thomas P. O'Neill, D., Mass., to House majority leader in place of the missing Rep. Hale Boggs, D., La., and the selection of Mr. O'Neill's replacement as majority whip. Mr. O'Neill's only opposition, Rep. Sam Gibbons of Florida, bowed out of the race last week for lack of support.

Decision on Whip

House Democrats will decide Tuesday at a caucus of all party members whether to elect their whip, the third-ranking member of the leadership, or continue to have him appointed by the majority leader with the approval of the speaker.

The argument for change is that since the position of whip has been pretty well established as the first step on a ladder up to party leader *in 15 years or so,* the future leader should be chosen by all members. Mr. O'Neill is opposed to electing the whip, as was Mr. Boggs, on grounds that the floor leader should be free to pick a lieutenant he can work with easily.

Rep. Philip Burton of California, who is leading the campaign for an elected Democratic whip, said he believes the proposal will carry and that he has a good chance to be elected to the post. If the whip is to be elected, a number of candidates are expected to enter the *fight.* The House Republican whip and both Senate whips are elected.

If the whip remains appointive, the leading candidate appears to be John McFall of California, a deputy whip from the most populous state who has shown a wil*lingness to stay on the House* floor during sessions and do the glamorless work involved.

Reform Proposals

A bundle of reform proposals have been discussed by *liberal* House Democrats, who hope to delay a caucus vote on any of them for a couple of weeks until they have had time to agree on a package. The proposals include:

- Automatic individual caucus votes on committee chairmen.
- Creation of a representative House Democratic policy commit*tee to define the party's legisla*tive program.
- An age limit of 70 on committee chairmen.
- Selection of Democratic members of the House Rules Committee by the speaker, rather than by the party's committee on committees.

There are also several proposed changes in House (as distinct from party) rules, to open up more committee meetings and make more flexible the rules for conducting business in the House.

The only Senate leadership fights that have surfaced are for second echelon Republican posts left vacant by defeats. Sen. John *Tower of* Texas and Sen. Robert Taft jr. of Ohio are running for chairman of the Republican Policy Committee, now held by Colorado's Gordon Allott. Sen. Wallace Bennett of Utah, 74, and Sen. Norris Cotton of New Hampshire, 72, are candidates for chairman of the Senate All-Member Republican Conference, a post which has been held by Sen. Margaret Chase Smith of Maine.

Some Senate Democrats are talking of trying to recast the conservative Senate Finance Committee by enlarging it and filling existing vacancies with liberals. Such a move, if successful, could make all the *difference* in determining what, if any, tax reform, welfare reform, health insurance, trade and pension plan legislation Congress passes.

New Fights

Several bills that failed in the last Congress face new fights, and several major programs expire *and will provoke controversy.*

Left over from last year are the highway, housing, minimum wage, consumer protection agency, no-fault auto insurance and product warranty bills.

The highway fight is over using part of the highway trust fund for mass transit, a proposal that is fiercely resisted by the highway lobby but is receiving increasing support from urban and suburban areas.

Any innovative housing legislation would seem to face even tougher going as the administration digs in to cut back housing programs.

The minimum-wage fight is not so much over raising the $1.60 hourly wage floor to $2 or more, as it is over expanding coverage and Republican demands for a lower minimum for teen-age workers.

The administration will send up proposals on tax *reform,* energy policy and trade. There will be a certain amount of delay while new department heads take hold of their jobs, he said.

House Ways and Means Committee chairman Wilbur D. Mills of Arkansas has promised to give *top priority to tax reform.* Mr. Mills has long said that a national health insurance program is needed, but he has not yet reached agreement with other leading Democrats in the field on the basic issues of financing and administering it.

Expired programs whose extension will be controversial include the law permitting wage and price controls, elementary and secondary school aid, farm price supports, *and the military draft.*

Europe Enters Era of '9'

(Continued from Page 1)

that the first 10 babies born in the new year would each receive educational endowments worth £1,000.

Young Queen Margrethe told Danes in her New Year's message that they were joining with great expectations but well aware that *membership* will make great demands on them.

There were no celebrations to mark Denmark's entry.

"Danes are not a nation for fanfares," said the Copenhagen newspaper *Politiken.*

The six old members of the community took even less note of the occasion.

French President Georges Pompidou's New Year's message mentioned in passing that last October the nine countries had laid down the goal of a European union.

The first significant event of Britain's membership will be the meetings next weekend of the new 13-man Executive Commission. It will be headed by François-Xavier Ortoli, former French minister of industry. It will include two British members: Sir Christopher Soames, former ambassador to Paris, and George Thomson, who was in charge *of European* affairs during the Wilson Labor government. The meeting will share out the jobs on the commission, which is organized like a cabinet government with Mr. Ortoli as "prime minister."

Mr. Soames was reported hoping to take charge of external trade. Mr. Thomson would like a portfolio that would get the Labor party interested in membership—something to do with social affairs or development of poor regions, such as many parts of Ireland, *Scotland* and Wales.

U.S. Scientists Urge Study Of War's Effects in Vietnam

By Victor Cohn

WASHINGTON, Jan. 1 (WP).—The American Association for the *Advancement of* Science urged Congress Saturday to begin a full-scale study of the long-range effects of U.S. bombs, *chemicals* and other advanced weapons on the land and people of Vietnam.

In another, "emergency" resolution, the large scientific organization's Legislative Council overwhelmingly condemned U.S. actions in Vietnam and urged immediate withdrawal *of all* U.S. forces from Vietnam, Laos and Cambodia.

It was the first time that anti-war forces have been able to get *such a resolution* through the largely middle-of-the-road group, a federation of 300 scientific bodies that have a *total of* 7 million members.

By an amendment offered by Lewis M. Branscomb, research director of IBM, the group deleted clauses opposing U.S. military participation in Thailand. "We're there by treaty, and I'm not sure that the *situation parallels*" that in the other countries, said Mr. Branscomb, who until recently headed the U.S. National Bureau of Standards. *He favored the remainder* of the resolution.

The study of Vietnamese war damage was urged in a resolution stating that both scientists and the public deserve a full assessment of all that "American science" has done in Vietnam, "constructive as well as destructive."

Constructive Work

"We have done some constructive forestry, built highways and some hospitals and *medical care,*" said Prof. E. W. Pfeiffer of the University of Montana, one of the action's sponsors. "But the damage we've done far outweighs these."

Dr. Leonard Rieser, a physicist who is vice-president of Dartmouth College and AAAS president starting this month, said, "We need a body like the U.S. Atomic Bomb Casualty Commission, which studied the long-range effects of the Hiroshima and Nagasaki bombings after World War II.

"Unless Congress sets up such a study, we'll never know" the truth about *many allegations*—for example the charge that U.S. chemicals have begun to cause genetic mutations and consequent malformations in Vietnamese children.

Also, he said, such a study is vital if the United States is to help rehabilitate Vietnam intelligently—a goal that President Nixon has endorsed, according to reports from the U.S.-North Vietnamese peace talks.

Bill Supported

Specifically, the AAAS council backed a congressional bill calling on Mr. Nixon to ask the National Academy of Sciences to determine both the war's ecological effects and "effective ways and means *of rectifying*" them. *It* called for assessment of the results of bombing, of wide use of CS gas and of bulldozing large areas of land with "Rome plows," a *defoliation method sometimes* said to be more destructive than chemicals.

But AAAS proponents of the Vietnam study see the report, which would be published within six months, as only a start on the kind of long-range observations that the federally financed Atomic Bomb Casualty Commission has made in Japan, observing cancers and other delayed results of the A-bombs.

The AAAS council *has* 550 members, but only 175 were present Saturday. The vote on the anti-Vietnam war resolution was 80-41, with many absten*tions. This included those of the* presiding officers, including Glenn T. Seaborg, until recently U.S. Atomic Energy Commission chairman.

The council also voted to pare down its size to make it less unwieldy and to give major power *to* the 150,000 dues-paying members, rather than to the federated organizations. These groups *still* will be represented through broad sections representing scientific disciplines like physics and chemistry.

The organization ended its annual *meeting here Saturday.* It will reconvene in Mexico City in late June for a largely Inter-American session.

2 Die, 7 Hurt In Dacca in Raid Protest

DACCA, Jan. 1 (AP).—Two *people were killed and* at least seven, including a press photographer, were injured when police opened fire on a demonstration outside the United States Information Service office here.

The demonstration was protesting the *American bombing* of Vietnam. It was staged by the pro-Moscow Students Union.

Eyewitnesses said the fatal shootings followed a five-minute exchange of fire between police and demonstrators. One eyewitness said he saw a hand grenade thrown inside the USIS building.

Bangladesh Prime Minister Sheikh Mujibur Rahman has ordered an immediate enquiry into the incident.

Some students tried to hoist the North Vietnamese flag inside the USIS building, another eyewitness said.

The pro-Moscow Awami party *has called for a general strike* tomorrow.

Eight rounds of shots entered the nearby dining room of the National Press Club.

A strong contingent of police, which was guarding the U.S. building since morning, was heavily reinforced immediately after the incident.

The shooting caused panic in a nearby shopping center and the nearby Foreign Office Secre*tariat.*

West Berlin Protest

BERLIN, Jan. 1 (AP).—Anti-Vietnam war protesters in West Berlin interrupted a church service and broke windows in the Amerika Haus and the offices of a U.S. airline last night, police reported today.

About 50 youthful demonstrators invaded the Kaiser Wilhelm Memorial Church, threw fire-crackers and shouted anti-war slogans before police were alerted.

Two windows were broken in the airline's ticket office, near the church, in downtown West Berlin.

The Amerika Haus cultural center also was the target of rock throwers, who shattered two windows before escaping, police said.

Demonstration in Sweden

MALMOE, Sweden, Jan. 1 (UPI).—Some 2,000 demonstrators marched through the streets of Malmoe today in a protest against American bombings in Vietnam, arranged by political and religious groups. Of the political parties, all but the Conservatives participated.

Policemen broke up a minor counter-demonstration and seized a U.S. flag carried *by the counter-demonstrators.* "We did it to avoid possible fighting between the two groups of demonstrators," a police officer said.

Incident in Paris

PARIS, Jan. 1 (AP).—A small group of young people broke the front windows of the Pan American Airways office here early today.

The protesters also painted a sign saying "Nixon murderer" on the front wall of the airline *office on the Avenue des Champs* Elysées.

Protest in Tokyo

TOKYO, Jan. 1 (Reuters).—South Vietnamese students carrying signs saying "Nixon-Hitler" demonstrated in front of the U.S. Embassy here today. About South Vietnamese students studying here took part in the march and were joined by about Japanese and several Americans, a spokesman said.

New Year's Bombing Pause Below the 20th Parallel Too

(Continued from Page 1)

cease-fire, the U.S. command *refused to confirm the pause.* In keeping with the policy begun when President Nixon ordered the bombing of Hanoi and Haiphong, command spokesmen would say only "no comment" when asked about the pause.

Before the cease-fire began yesterday, American planes, including B-52 heavy bombers and smaller Air Force, Navy and Marine fighter-bombers, reportedly struck both the North *Vietnamese panhandle and South* Vietnam. One of the few facts the U.S. command disclosed in its daily war communiqué today was that American fighters had carried out 199 tactical air strikes over South Vietnam yesterday.

Carrier Planes Hit Tanks

Navy A-7 pilots from the aircraft carrier *Oriskany* were said to have knocked out two North Vietnamese tanks 15 miles southwest of Quang Tri and destroyed a Communist bulldozer near the city of Kontum, in the Central Highlands.

As it has for the last two weeks, however, the *command* refused again today to provide any information at all on the number or *location* of B-52 raids yesterday.

U.S. troop strength in South Vietnam last week dropped another 100 men to 24,100, the lowest number since Jan. 31, 1965, when there were 23,300.

But there are also 39,000 sailors on board the ships of the Seventh Fleet *off the coast of Vietnam* and about 40,000 Air Force personnel in Thailand supporting the bombing campaign.

4 U.S. Pacifists Back From Hanoi

NEW YORK, Jan. 1 (AP).—*Four* American pacifists, including folk singer Joan Baez, who were stranded in *Hanoi* by American bombing, finally arrived in New York last night to an emotional welcome by their families and friends.

The four reported they had met 13 prisoners of war during their two-week stay in North Vietnam and had brought out 600 letters.

Miss Baez, Telford Taylor, a Columbia University law professor and former Nuremberg prosecutor, the Rev. Michael Allen of the Yale Divinity School, and Barry Romo of the Vietnam Veterans Against *the War, arrived from Tokyo.*

Miss Davis in Cuba

MIAMI, Fla., Jan. 1 (AP).—U.S. black militant Angela Davis arrived in Cuba yesterday from Madrid, Radio Havana said. She was invited by the Cuban Communist party to participate in a rally commemorating the 12th anniversary of the Committees for the Defense of the Revolution, according to the newscast.

WEATHER

	C	F	
ALGARVE	11	52	Partly cl
AMSTERDAM	—1	30	Fair
ANKARA	—11	12	Fair
ATHENS	11	52	Partly cl
BEIRUT	14	57	Fair
BELGRADE	7	44	Cloudy
BERLIN	1	34	Fair
BRUSSELS	5	41	Partly c
BUDAPEST	3	37	Partly c
CAIRO	17	62	Partly c
CASABLANCA	13	55	Cloudy
COPENHAGEN	0	32	Fair
COSTA DEL SOL	15	59	Partly cl
DUBLIN	11	52	Overcast
EDINBURGH	11	52	Overcast
FLORENCE	13	55	Overcast
FRANKFURT	—3	26	Partly cl
GENEVA	1	34	Cloudy
HELSINKI	3	26	Partly cl
ISTANBUL	9	48	Partly cl
LAS PALMAS	17	62	Partly cl
LISBON	10	50	Fair
LONDON	1	34	Fog
MADRID	7	44	Fair
MILAN	8	46	Rain
MONTREAL	3	37	Fair
MOSCOW	4	39	Partly cl
MUNICH	3	37	Partly cl
NEW YORK	15	59	Sunny
NICE	10	50	Rain
OSLO	1	34	Overcast
PARIS	4	39	Fair
PRAGUE	1	34	Fair
ROME	14	57	Cloudy
SOFIA	4	39	Partly cl
STOCKHOLM	—2	28	Overcast
TEL AVIV	15	59	Fair
TUNIS	14	57	Partly
VENICE	5	41	Rain
VIENNA	0	32	Partly cl
WARSAW	1	34	Fair
WASHINGTON	17	63	Sunny
ZURICH	—3	26	Partly cl

(Yesterday's readings: U.S. C... at 1700 GMT, others at 1200 GMT

ixon Plans Several Moves o Ease Ties With Congress

By David S. Broder

ASHINGTON, Jan. 1 (WP).—ident Nixon is prepared to e his most senior staff mem- available to groups of sena- and representatives for "give- -take" discussion of all issues may arise in Congress this , according to the head of the ite House legislative liaison

he offer of extensive, informal ultations with such top presi- tial advisers as H.R. Halde- . John D. Ehrlichman, Henry Kissinger and Peter M. Flan- came from William E. Tim- s, the assistant to the Presi- for congressional relations. was one of several concilia- steps outlined by Mr. Tim- s in a lengthy interview last k, all designed to smooth over ts of conflict that arose in last two years between the ocratic-controlled Congress the Republican White House. he President's top lobbyist also Mr. Nixon would seek to rade departmental legislative on jobs to meet complaints Congress and would publicly port congressional efforts to rove the legislative budget ess.

he latter step, Mr. Timmons , could avert a repetition of year's bitter quarrel between gress and the President over control of federal expendi- s.

e said Mr. Nixon was deter- ed to do what he could to conflicts over executive privi- , the control of spending and handling of legislative re- ts.

f the three, the offer of in- al consultations with top- l White House staff members esented perhaps the biggest step by the President to meet Capitol Hill criticisms.

Senators and representatives of both parties have charged that Mr. Nixon has centralized decision-making with staff members who, unlike cabinet officials, can invoke the doctrine of executive privilege to refuse to testify to congressional committees.

The Senate Government Operations Committee, under its new chairman, Sen. Sam J. Ervin jr., D., N.C., is expected to challenge this authority in hearings this winter.

Mr. Timmons said that Mr. Nixon "actually has not exerted executive privilege as much as other presidents have." He said White House records indicate only three instances when congressional requests were refused on grounds of executive privilege in Mr. Nixon's first four years in office.

He also said that, without publicity, meetings had been arranged with interested legislators and such men as Daniel P. Moynihan, former counselor to the President; Mr. Erlichman, the domestic affairs chief, and Mr. Kissinger, national security adviser. The Kissinger sessions, he said, were held informally "at Bill Fulbright's house and other places." Sen. J.W. Fulbright, D. Ark., is chairman of the Senate Foreign Relations Committee.

Now, Mr. Timmons said, "I have a plan working" that would broaden those conferences into a program of regular "working lunches" or meetings between senior White House staff members and leading members of Congress involved with a particular issue.

He specified in the interview that the meetings would have to be informal sessions, without a record or transcript, "not because there is something to hide, but because I'm afraid if it becomes a matter of record, it sets a precedent for them demanding it in the future. I think we've got to protect the President from that."

He also said the sessions could not violate "the tradition that White House staff people do not talk about personal communications with the President."

Whether meetings held under those restrictions would satisfy congressional demand is not clear.

Spending Question

On the question of control of federal spending, which provoked a major showdown with Congress at the end of the 1972 session, Mr. Timmons said the President "would be perfectly happy for Congress to set its own budget ceiling.

"As long as it's reasonable," he said, "the President would accept that." There might still be disagreements between Congress and the executive over the proper funding level for specific programs, but he said:

"If they [the House and Senate] would get together. . . and set a ceiling based on expected income, I think the President would be very happy with that."

Mr. Timmons said his own suggestion would be that the Democratic and Republican leaders of the House and Senate, the members of the House Ways and Means and Senate Finance Committees and the two Appropriations Committees "get together and come up with what they feel is a proper ceiling" on spending.

He also said Mr. Nixon "wants to get the best quality people" in the departments' and agencies' congressional liaison jobs "and wants them to carry a greater burden of their own legislative program load" in the next four years.

Asked how he would characterize the state of relations between the President and Congress, Mr. Timmons said:

"Good. Could be better. Never will be perfect."

esident Sells orida Lots at 6,900 Profit

EW YORK, Jan. 1 (NYT).—sident Nixon has sold two s of waterfront land on Key ayne, the Florida resort he uently visits, for $150,000.

illiam E. Griffin, a Yonkers, lawyer, confirmed that he made the purchase. He said had bought the land for in- ment and possibly to build a e there for his family.

he lots are on canal-front land r the entrance to Cape Florida te Park. One was bought by Nixon in 1967 at a cost of 00, according to Dade County t tax records, and the other acquired by the President in for $23,100.

he property is less than a from the closely guarded pound where the President s during his Florida trips.

he price of the sale to Mr. ffin, which took place yester- was calculated by the Miami ald from an examination of stamps on the deed of sale. s would indicate that Mr. on and his wife, Pat, who the lots jointly, realized a of $96,900 over the price which they bought the lots.

-Pilot Flying ane at Time Miami Crash

IAMI, Jan. 1 (UPI).—Investi- rs reported yesterday that the of the Eastern Airlines o jet that crashed Friday in Everglades had a brain tu- But they said that the co- was flying the plane when ashed.

the 178 persons aboard the heed L-1011 airliner, 97 were d in the crash, airline officials

ward Slatterly, information r for the National Trans- tion Safety Board, said yes- , "Eastern Airlines told us the medical examiner told the pilot had a small benign tumor." "We do not know her this had anything to do" the crash, he added.

Slatterly also said that might have been a fourth r in the cockpit when the went down. But he is in l condition and unable to

only survivor among the r three-man crew died yes- of his injuries. Investi- pointed out that co-pilot J. Stockstill was flying the a routine practice, for Robert A. Loft, who had ars' flying experience with n. Both he and Capt. Loft n the crash.

Hurt, 36 Arrested Florida Melee

T LAUDERDALE, Fla., 1 (AP).—Police battled a of between 4,000 and 6,000 ear's revelers at a popular ront early today. Twenty- persons, including 16 po- n, were injured and 36 s were arrested, the police

ce of about 150 law enforce- men was required to quell isturbance, which covered a half mile of bars and favored by college vaca- , the police said.

disturbance broke out midnight when a crowd d around two detectives ere arresting a man at a assault and battery char- e police said. One youth one of the detectives, who nd fired a pistol, grazing of another youth. The began throwing bottles ns, and the disturbance

United Press International.

RIDING IN—Georgia's Lt. Gov. Lester Maddox riding donkey cart in Atlanta to celebrate the New Year with friends. Remembered for his anti-desegregation stand a decade ago, he now operates a tourist shop in addition to his activities as lieutenant governor.

British Search of Publication Stirs Dispute on Free Press

By Alvin Shuster

LONDON, (NYT).—Several weeks ago, two Scotland Yard men walked into the offices of the Railway Gazette, an obscure monthly with a circulation of 12,000. Producing a search warrant, they proceeded to spend nearly three hours opening filing cabinets and desks for clues on a leak of a government document on proposed changes in the country's railroad network.

The incident has stirred a national controversy, raising new questions about the relationship between the government and the press. Members of Parliament and the press described the search as a sinister blow to the freedom of the press. And Richard Hope, the Gazette's editor, charged two weeks ago that his telephone had been bugged by the police.

The dispute, which has involved Prime Minister Edward Heath in parliamentary exchanges, is the latest in a series involving the press here. The Sunday Times, which published the railroad report, was recently stopped by a court from printing a long article on thalidomide, a drug that had produced deformed children when taken by pregnant women, on the ground that it might influence negotiations for settlement of a suit for damages by the drug's victims.

Stringent Restraints

British editors operate under much more stringent legal restraints than their colleagues in the United States. There is no written constitution, for example, that guarantees the freedom of the press.

Libel laws, the rules of contempt, the claims of parliamentary privilege, the laws covering secrets, are all much tougher in Britain.

The case of William Farr, the Los Angeles journalist jailed for refusing to reveal his sources, illustrates the differences. During the Charles Manson murder trial in 1970, he published an article that one of the Manson "family" had confessed to a plan to kill Richard Burton, Elizabeth Taylor and Frank Sinatra. Mr. Farr then refused to reveal who had given him the information.

In Britain, Mr. Farr or his editor would probably have been arrested within an hour after the story was published on the ground that the article was prejudicial to the defendants and hence in contempt of court. Reporters here may only report what is said at a trial.

If Mr. Farr had been called before a court here to reveal his sources, there would have been no doubt about the outcome. He either would have talked or gone to jail. There is no legal precedent in Britain to protect a newsman who claims that his information was given in confidence.

The dispute over the Gazette raid, which Mr. Heath defended in the House of Commons, also underscores the restraints on newsmen. So few government documents get out without a minister's approval that the circulation of one stirs a massive inquiry.

Against this background, British editors are viewing with extreme interest the events in the United States following the Supreme Court decision holding that the First Amendment does not exempt journalists from the obligation to testify before grand juries.

"We regret what we see going on there," said Anthony Howard, a former Washington correspondent and now the editor of the New Statesman. "I've always felt it was far easier to be a reporter in Washington than in London."

"British officials remain especially secretive, and particularly sensitive to the idea that anything that they say or do might be discussed by the public that they are supposed to serve," said Joe Rogaly of the Financial Times. "Anyone who has lived and worked in America knows the difference: It is like night and day."

The reluctance of British officials to speak frankly to the press is backed by strong legal powers, particularly the 60-year-old Official Secrets Act, which guards the government from zealous newsmen. Unlike laws in the United States, the act makes no distinction between security information and other government documents.

In the course of the inquiry into the railroad report, for example, Harold Evans, the editor of the Sunday Times, was also visited by police, who suggested that he might face prosecution under the secrets law. Calling the inquiry a "sinister farce," the Sunday Times said it was intolerable that the raids should follow publication of a document which has "no relevance whatever to national security."

The official explanation of the reason for the raids is that the government is looking for the source in hopes of preventing future leaks. Some officials suggested that the government would hope to bring a case under the theft act, rather than the secrets law.

The secrets law makes it a crime to publish anything from official documents of any department, unless its release has been authorized. Charles Wintour, the editor of the London Evening Standard, who has long campaigned for changes in the law, has often noted that even the number of trees blown down in a park during a gale would be an official secret. Even gardeners working for the government must sign a pledge under the act.

World Press Institute Says Nixon Tries to Limit Freedoms

GENEVA, Jan. 1 (NYT).—The International Press Institute asserted yesterday that the Nixon administration is "attempting to chip away at press freedom through the courts and by the threats of court action."

In a year-end review of press freedom, the institute said that the Nixon administration apparently intended to make the "journalist timid in research for the facts and the public nervous when confronted by a reporter asking for them."

Nevertheless, the study by the Institute's French director, Ernest Meyer, found that in the United States the "foundation stone of freedom of speech and the press edifice that has been built on it remains almost unscathed."

The institute, a nongovernmental organization with headquarters in Zurich, is supported by 1,700 editors and publishers in 62 countries.

Reviewing press developments over the last year, the institute said that the trend to restrict press freedom was stronger than in 1971. Barely one-fifth of the United Nations' 132 members "enjoy what can genuinely be called freedom of information," it reported.

'Manipulation of Media'

The survey also cited what it termed the "continuing efforts of governments to erode freedom of expression through intimidation of journalists and manipulation of mass media."

The aim, it said, is to "give the impression that the interests of the country are necessarily identical with those of the government in power."

But the "true danger," the review continued, "lies in the fact that a growing number of governments, parliamentary representatives, citizens and even some members of the press begin to accept that attacks on freedom of expression are legitimate and justifiable."

The most serious attack on this freedom in the last year, according to the institute, was the "silencing of the most courageous and frank press in Asia, that of the Philippines."

Actions by President Ferdinand E. Marcos, following the establishment of quasi-martial rule in the Philippines, amounted to a "deliberate dismantling of the free mass media in his country," the survey said.

'Notorious Decision'

The review listed what it called the "notorious decision" of the U.S. Supreme Court in the case of Earl Caldwell, a New York Times reporter, among last year's "threats to the freedom of the press."

In the case, the Supreme Court ruled that reporters did not have the right to withhold from federal grand juries the sources of information given in confidence or to refuse to testify about criminal acts they had been told about under a pledge of secrecy.

U.S. Airports Introducing New Security Rules

By Robert Lindsey

NEW YORK, Jan. 1 (NYT).—Dozens of airports across the country are planning to place all parts of their passenger concourses off limits to everyone but passengers as they prepare, under federal mandate, to tighten a security net designed to snare potential hijackers.

The move will bring a fundamental change to the experience of taking an airplane trip: no longer, at many airports, will friends, relatives and others be able to wait with passengers before takeoff in the traditional airport lounge adjacent to boarding gates nor be able to meet them as they step off airplanes.

Instead, passengers and well-wishers will say their good-byes—or hellos—in ticket lobbies or elsewhere at the airport away from the long, fingerlike concourses that at most jetports lead from the lobbies to boarding gates.

"I think you're going to see this concept used wherever it is physically possible," Frank Cardman, director of security for Pan American World Airways, said in an interview last week.

Separation Earlier

"The idea is to 'sterilize' the whole concourse area and separate passengers from members of the general public," he said. "There are disadvantages: people will get separated sooner and they won't be able to see friends off at the gate. But maybe it will be a small price to pay for improving security."

The new security concept already has been introduced on a limited basis at a number of airports, including those at Atlanta, Boston, Seattle, Chicago and at the Trans World Airlines boarding area at LaGuardia Airport.

Generally, barriers will be established at the perimeter of the concourses and passengers will have to present their tickets, be checked by an electronic weapon-detection device and present their hand-luggage for inspection before being allowed into the boarding area. Some airports plan to admit well-wishers if they consent to an electronic search, but the majority plan to admit only passengers, according to airline security officials.

New Travel Look

The spread of what the security specialists call the "sterile concourse" is part of a new look coming to air travel this year.

Beginning Friday, under an emergency federal order, airlines will have to screen each of the half-million passengers they carry daily with electronic weapon-detectors and physically search every one of the hundreds of thousands of briefcases, purses and other items carried aboard airliners daily.

The searches and screening are expected to add still more delays to air travel—and possibly add to its costs. The nation's airlines have asked the Civil Aeronautics Board to approve an increase of $1 in all one-way fares to cover the cost of the stepped-up security.

In the past, screening and searches of only a small percentage of airline passengers—those on short-haul shuttle flights—have been mandatory, although some airlines have checked all passengers on a voluntary basis. In almost all cases, the search of carry-on luggage and use of electronic detectors has been done in the boarding areas, usually as passengers walked through a corridor toward their plane.

Responsibility Shifted

After Feb. 5, each of the nation's 531 airports served by airlines will have to provide armed local law enforcement officers before each departure to arrest any persons possessing a weapon or who is accused of other crimes. Now, federal deputy marshals and customs agents are stationed at some large airports to handle this task, but the administration has transferred the responsibility to local communities despite protests from airports, airlines and the National League of Cities.

A major advantage of establishing check-points at the edge of airport concourses is to reduce the cost of providing airline security agents and guards at each individual boarding gate. Typically, each concourse at an airport can have six or more departure gates.

Besides reducing manpower needs, security specialists said, the practice of checking passengers at the edge of concourses would make it more difficult for hijackers to bolt past a boarding gate and commandeer a plane—as a group did at Houston last fall after murdering an airline agent.

Aid to Safety at Small Airfields

Microwave Landing System Perfected

By Richard Witkin

NEW YORK, Jan. 1 (NYT).—In Vietnam, an advanced electronic landing system, a versatile departure from previous equipment, has been in use for many months to help guide Air Force planes on to rugged strips.

Similar installations are in operation at a civil airport in California that has a great deal of fog and at a ski-country strip high in the Colorado Rockies.

And there is a promise of many more to come. A week ago, the Federal Aviation Administration announced its intention to pick a standard version of the new generation system that certain airports might install, with the government footing part or all of the bill, during the next seven or eight years.

With the advanced system, more and more currently under-equipped airports will be able to remain open in weather that now closes them down. In addition, these fields should show a significant reduction in landing accidents, the largest single cause of death and injury in aviation.

Microwave Device

Electronic devices to facilitate airplane landings in foul weather date back more than 25 years. What is distinctive about the new devices the FAA is planning to standardize is that they operate at microwave frequencies.

This makes it technologically and economically feasible to install them at airports whose traffic volume is too small and whose surroundings are too rugged to warrant installation of the venerable Instrument Landing System, called the ILS.

Basically, an ILS is an invisible electronic pathway along which a plane glides to the runway as though it were rolling down a moderate incline. The path is delineated by radio beams transmitted from the runway area.

To keep the plane on the proper pathway, a pilot must maneuver so that pointers on a cockpit instrument are kept centered.

One tells him if he is too far right or left—the other tells him if he is too far up or down.

An essential shortcoming of the ILS is the frequencies at which the beams are transmitted. To insure that up-down signals delineating the proper gliding angle will be accurate, the terrain off the end of the runway must be level. In addition, ILS beams can be distorted by nearby mountains and buildings.

What these shortcomings can lead to was illustrated by a Huntington, W. Va., crash two years ago in which a chartered DC-9 carrying the Marshall University football team hit a hill a mile short of the runway, killing all 75 persons on board.

The field had only a partial ILS. There was no up-down signal to delineate the proper glide slope because the terrain off the end of the runway had a huge dip. Installation of the standard glide-slop transmitter would have required a $1-million investment in landfill.

Virtually all the nation's major airports with airline service have full-fledged ILS, even if installation may have required expensive landfill or other alterations. But Huntington had not held a high enough ranking on the FAA's priority list at the time of the accident. Steps have since been taken to remedy the situation there.

Problems Overcome

Landing systems operating at microwave frequencies can circumvent most problems of the ILS.

Microwave systems permit such sharply improved control of the radio beams that terrain off the end of the runway need no longer be level and nearby mountains and other obstructions cause many fewer complications.

Because of the advantages of microwave, the FAA announced the adoption a year ago of a long-range plan to develop a full-fledged microwave landing system, or MLS, to replace the ILS and meet all civil and military needs "until at least the year 2000." However, under the announced schedule, the first installations would not be made until 1977, and many observers think that is a very optimistic estimate.

Store Cleared In Sales to N.Y. Ill on a Sunday

NEW YORK, Jan. 1 (NYT).—Alexander's Department Stores was vindicated Friday in its dispute with the city over issuance of a summons early last month when its Bronx store was opened specially on a Sunday to permit holiday season shopping by the ill and disabled.

Afterward, Milton E. Mermelstein, the board chairman of Alexander's, said he was satisfied that "justice was done when the judge declared that we were within the right and we had not violated the law concerning Sabbath closings in the city."

When the summons was issued, Mr. Mermelstein pointed out that the store had not been open to the general public but only to 800 persons invited from 25 institutions for the aged and handicapped, in Alexander's 11th annual such special event. The shoppers buy Christmas and Hanukkah gifts, with the proceeds donated to the institutions.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
Page 4—Tuesday, January 2, 1973 * *

The Newer Europe

The mixed emotions with which the Six greet the Three—and vice-versa—into the newer Europe are quite understandable. *Great ideas, whether they are voiced by* Marx, Mao or Jean Monnet, are seldom easy to live with, and the complex social and economic structure which Western Europe evolved over centuries of nationalism are not to be compressed simply or quickly into the framework of the Treaty of Rome.

This is particularly true when the Common Market transports its booths and its pitchmen across the Channel into that sceptered isle (in this case two sceptered isles) whose destiny has been at once so closely linked to and sharply divided from the Continent. The Six—and to some extent Denmark—have already adjusted to the new Europe that emerged after World War II, a Europe which has been realigned along the Elbe into East and West, rather than fragmented *by the Rhine, the Danube, the Alps* and a number of largely arbitrary frontiers. But the United Kingdom—and, to a lesser degree, Ireland—still look wistfully back on markets across the seas which once were guaranteed by empire and commonwealth, and the policies that those markets helped shape.

Britain's entry into the Common Market is still, in fact, conditional, since Her Majesty's opposition (and quite a number of Conservatives) are ready to try to unscramble the EEC if the political balance shifts, and public opinion permits. British labor, if not necessarily the Labor party, has usually been more nationalist than socialist, and much will depend on how the unions act under the new conditions.

But granted all the dubieties of the newer *Europe, the idea it represents is a great* one, a rational adaptation of that powerhouse of global energy, the continent that transformed the world, to a situation in which the global transformation is virtually complete, and the role of Europe must be quite different.

Moreover, it is an idea that is intended for men to live by, not to die for. One can conceive of the Common Market creating economic jealousies outside its boundaries, of tensions arising from them. But it is much harder to visualize men marching off to battle singing, in the seven official languages of the market (including the largely ornamental Gaelic) a hymn to the virtues of eliminating tariffs among the Nine. It may be one of the political weaknesses of the Common Market that it does not lend itself to the simpler emotions—but at the same time it is an evidence of human maturity, and to some degree a safeguard against *demagoguery. And in that respect, no less* than in its promise of a sounder, stronger economy for its members, the expanded Common Market represents a hopeful sign as mankind moves into 1973.

'Hope Is Reborn'

President Nixon's decision to stop the bombing of North Vietnam north of the twentieth parallel and to send Henry Kissinger back to Paris signals a return to sanity that will be greeted with relief throughout the nation and the world. As French Foreign Minister Maurice Schumann remarked: "Hope is reborn."

Welcome as is the abandonment of this rain of death from the sky, the same mystery that surrounded the escalation of the air war two weeks ago surrounds its termination. There is still no trustworthy information on what caused the initial breakdown in negotiations, why the President *thought bombing of the densely popu*lated Hanoi-Haiphong area would accomplish anything constructive and, least of all, whether there is any new readiness by Hanoi, Saigon or Washington to make concessions that will bring a total end to the killing in Vietnam. The two indispensable ingredients in "serious" negotiations of the kind now promised are greater flexibility and a genuine mutual will for peace.

North Vietnam has undoubtedly suffered cruelly from the most intensive aerial bombardment in history, but the United States has also paid a terrible price for this crude attempt to negotiate through terror. Losses in aircraft and men were staggering, even accepting the official estimate of 25 planes shot down, including fifteen giant B-52s, and 93 *airmen killed, captured or missing.* But the still larger loss for the long run is in credibility and respect at home and abroad.

The damage to U.S. moral leadership in the world was reflected in the report of Dr. Leon N. Cooper of Brown University, returning from a month in Europe where he received a Nobel Prize in physics. He said his conversations with Europeans had convinced him that "we are coming to be regarded in the eyes of the world as twentieth-century Huns." Similar expressions of outrage and condemnation have echoed throughout the globe, from official as well as unofficial sources, among them many long-time friends of this country.

At home, the aerial blitz in the face of an agreement that chief presidential negotiator Kissinger had described as "99 percent" complete transformed a national tragedy into an Orwellian nightmare. Sen. William B. Saxbe, Republican of Ohio, expressed *the incredulous despair of many* Americans when he said: "I have followed President Nixon through all his convulsions and specious arguments, but he appears to have lost his senses on this."

The cessation of bombing north of the twentieth parallel recreates an environment *for progress toward peace. But the very fact* that intensive talks will not even begin again until next week raises doubt that anything fundamental has changed. If that missing 1 percent Mr. Kissinger says is needed for a full accord continues to prove a will o' the wisp, an exasperated Congress will have to exercise its own prerogative to cut off funds for this unholy and unwanted war.

THE NEW YORK TIMES.

Merest Pinch

The first pinch of SALT II is hardly *enough to whet anyone's appetite. The only* apparent achievement of the Soviet and American negotiators in a month of Geneva talks was the creation of a four-man consultative commission to supervise past and future strategic arms agreements, as foreseen in last May's agreements at the end of SALT I.

This standing commission undoubtedly has useful potential in the ongoing arms dialogue between the two superpowers, but *it is disappointing that its formation alone* was considered enough to justify the first round of renewed discussions. There is a dilatory mood around this whole exercise that belies the practical and psychological benefits that could ensue to both parties from more energetic efforts.

No one pretends that SALT II can achieve any quick agreement on the complex issues of weapons trade-offs and balancing of deterrents that hang unresolved after SALT I. *It is generally accepted that the* current strategic arms limitation talks will go on for years, but the awesome length of *the journey cannot be allowed to inhibit* the first steps.

Much of the inertia lies in Washington rather than over the Geneva bargaining table. Preoccupied with bringing Vietnam peace to hand last fall, the Nixon administration's top policymakers reportedly hardly read the studies and position papers which the American negotiators were to carry into SALT II. Even less did they make the tough decisions about what to propose and where to concentrate *negotiating efforts. Not least* among the baleful side-effects of the resumed Vietnam air offensive was this tendency toward ever more procrastination on other *foreign policy matters, for simple lack of* time and creative energies left over among the harried men who have to make the decisions.

SALT II resumes in two months' time. Surely the present madness over Vietnam cannot endure to the immobilization of all other foreign business.

THE NEW YORK TIMES.

In the International Edition

Seventy-Five Years Ago

January 2, 1898

LONDON.—The dangers of cycling in the City of London has apparently been exaggerated. It appears, according to the Daily Telegraph, that during last year, on an average, there has not been one cyclist a week summoned for recklessly riding to the public danger, the actual number being 51. And as for accidents in general, *it seems that the cyclist has had far* fewer than any other driver of the numerous other vehicles on the road.

Fifty Years Ago

January 2, 1923

NEW YORK.—There were fifty-seven lynchings in the United States during 1922, of which fifty-one were of Negroes. Texas had 18, Georgia 11, Mississippi 9, Florida and Arkansas 5 each, Louisiana 3, Alabama and Tennessee 2, Oklahoma and South Carolina 1. Although this barbaric way of doing justice is still with us, it can be hopefully observed that the total number of lynchings was seven fewer than in 1921.

'Think What A Society They Could Have If They Put All This Effort Into Something Constructive . . .'

The Confrontation Congress

By Joseph Kraft

WASHINGTON.—The 93d Congress convenes this week in an atmosphere of confrontation with President Nixon. Harsh issues are harshly drawn, and for once there is no procedural insulation.

The only question is a question *of guts. It is not clear whether* the men pleased to call themselves leaders in the Senate and House are truly prepared to take responsibility for the strong actions that are now required.

President Nixon is himself entirely to blame for the atmosphere of confrontation. In three areas he has initiated actions contemptuous of the Congress and its leading figures.

First there was the escalation in Vietnam. The terror bombing *of Hanoi and Haiphong has not* only brought death to hundreds of Vietnamese and caused terrible losses to American manpower and planes. It has also involved the use of overwhelming military force for a nonmilitary objective which nobody understands very well.

Even so, there was no consulta*tion with the Congress.* Leading Senate Republicans, including minority leader Hugh Scott, were ignored in the decision-making. To this day there has been no *briefing* of George Mahon, the Texas Democrat who, as chairman of the House Appropriations Committee, is most responsible for the hundreds of millions in supplemental funds that will be required to pay for the escalation.

Impounding Funds

Then there is the matter of impounding funds voted by Congress in the past session. At all times there has been some estoppel in the executive branch of some appropriations voted by the Congress. But the past practice has been to impound only one or two highly controversial appropriations—and for clearly defined reasons.

Mr. Nixon has gone way beyond the norm. For example, he has impounded funds for water puri*fication which were passed by the* Congress over his veto. He has simply cut out a program for environmental protection in rural areas though the program is a dozen years old.

Finally there is the matter of executive privilege. That involves the right of the President to transact his decision-making in private. All recent presidents have invoked the privilege, and the rule of reason is that a small amount of executive privilege is surely necessary.

But President Nixon has down*graded the cabinet and other* agencies of the executive to almost menial status. He has gathered all significant authority into the White House. Even so, when responsible officials are called by the Congress, he regularly invokes the executive privilege against their testifying.

The mood of the Congress in the face of these provocations is angry. Mr. Nixon, unlike President Johnson before him, has no reservoir of affection on the Hill. More and more one hears hostile personal comments. It is typical that in condemning the bombing Sen. William Saxbe, an Ohio Republican, reflected on the President's sanity.

No Affection

The absence of affection for the President is supplemented by a lack of procedural obstructions. In years past the Congress used to mark time for its first month of business while the Senate debated Rule 22 and various other fine points relating to closing off a filibuster. But Senate liberals now see the value of the filibuster *for minorities dear to them.* This year, accordingly, there will be no fight on Rule 22.

Neither is there much doubt about what steps are required to curb the President. The best way to assure presidential restraint on the war is still to cut off appropriations for Vietnam. In response to indiscriminate impoundment, the Congress can easily hold up funds for the White House. With respect to executive privilege the right tactic is a tough investigation of the Watergate affair in which the President's closest aides showed such scant respect for the privacy of other political leaders.

Precisely because the issues are now so clear cut, the spotlight is on the congressional leadership. If the showdown does not materialize, everyone will know the reason why.

It will be mainly because of the cheap opportunists—men like Senate minority leader Hugh Scott, who in the past have talked a good game but then gone out on the field and bootlegged the ball to the President. It will be because the few highly principled leaders, notably Senate majority leader Mike Mansfield, have been *too decent to deal effectively with* a President devoid of respect for the civility essential to self-government.

Letters

Residing in Italy

Claire Sterling's easy reassurance that Americans can get a residence permit in Italy if their other papers and affairs are in order (IHT, Dec. 19) is simply not true. Consider my case.

In 1969, I accepted a job offer from an international company located in Italy. One of the requirements was English mother-tongue; no Italian could be found with that requirement. The government issued me a work permit, valid for life. I also got a provisional residence permit.

Though living and working for nearly three years in Italy, I was never given a normal residence permit, despite repeated applications. (When our second child was born, *the birth was officially* registered as *occasionale*, "fortuitous.")

Last September I was summoned to the local police station several times (involving always a wait of 3-4 hours); in the end, and for no stated reason, my provisional residence permit was stamped to expire in a week's time. Appeals were made on my behalf by a subprefect of the Republic of Italy and other persons—to no avail.

Leaving behind my wife and two children (aged 1 and 4), I had to travel to a foreign country, surrendering my residence permit at the Italian border. The company I work for kept up its campaign with government officials. It is now three months since I had to leave Italy and nothing further has happened.

(Name and adress withheld for personal reasons.)

A Lesson

One of the last remaining stated excuses for U.S. involvement in Vietnam is to show the world that one country cannot *impose its will* on another country by the use of force.

If no one is able to put reason into Nixon's head soon, he is going to prove that if you have the firepower to back you up, you can indeed force whatever you want down another man's throat. This will surely be a sorry lesson to mankind in these sorry times.

TOM CROMER.

Fontaine, France.

Consensus Politician

The Brezhnev Styl

By Hedrick Smith

MOSCOW.—In 1963, the Soviet *Union suffered* a catastrophic grain harvest and was forced to buy 12 million tons of grain from the West, there were bread shortages in winter and the next fall *Nikita S. Khrushchev was toppled* from the premiership. This year, there has been another disastrous harvest, the Kremlin has bought roughly 25 million tons of wheat from the West—*as* before, mostly from America—and there is an air of belt-tightening. But the Communist party leader Leonid I. Brezhnev, appears solidly in charge.

At the recent celebrations of the 50th anniversary of the Soviet Union, the 66-year-old *Soviet leader not* only gave the main address of three and one-half hours and held a series of separate and highly publicized meetings with visiting leaders, among them *Fidel Castro*, the Cuban Premier, and Nicolae Ceausescu, the Romanian President, but he also appeared to have bounced back from whatever physical ailment had kept him out of action for a month earlier this fall.

When he returned to public view for the Revolutionary Day celebrations on Nov. 7 he looked wan and moved like a man recovering slowly from an operation. But this last week, he moved up to the speaker's podium with vigor and kept up a heavy schedule of activities that testified to his physical as well as political good health.

No one outside the Soviet Politburo can be certain about the power relations within it. But all outward evidence points toward the conclusion that in spite of the harvest disaster, Mr. Brezhnev is in a stronger position now than ever, though still sharing prominence with Premier Alexei N. Kosygin and *President Nikolai* V. Podgorny, his compatriots in the top triumvirate.

What accounts for the difference between Mr. Brezhnev and his flamboyant predecessor, Mr. Khrushchev?

In part, it is a question of political style. Mr. Khrushchev *offended* his Politburo colleagues, who ultimately ousted him, by impulsively establishing one-man rule and going out on limbs on policy such as precipitate development of the virgin lands and putting missiles into Cuba. That made him personally vulnerable in case of failures.

By contrast, Mr. Brezhnev is considered a consensus politician. He has tended to operate as chairman of the board of directors of Soviet Communism fully lining up other leagues before making moves.

Foreigners who have with him privately rate one put it, "a damned side politicker," skillful ing ruffled feelings and ing consensus among the tive leadership at the *of power in the Kremlin.*

In part, it is also a of tactics. Mr. Khrushchev many of the second-level chieftains, the very peopl once saved him from a coup in 1957, by cutting their authority with his divide the party hierarch agricultural and industri claves. Others were unnerv his on-again-off-again de zation.

Delicate Balanc

By contrast, Mr. Brezhn cultivated support of the hierarchy by preserving litical status quo. So the balance of power Politburo and so mindful other are its members spite various demotions, member has been pushed the Politburo.

The last to leave veteran Bolshevik and co of Mr. Khrushchev, Anas Mikoyan. Mr. Brezhnev's od has been to pack the buro with new supporters than to oust downgraded

On matters of policy, analysts suspect that the emphasis by the coalition Mr. Brezhnev on consum and reconciliation with the has offended more conser figures such as Pyotr Y. former Ukrainian party Gennadi I. Voronov, forme mier of the Russian Republic Pyotr M. Masherov, the chief in Belorussia.

But under the pressu economic setbacks, Mr. Bre in his latest policy state has moved toward the cons tives, downgrading the pri given the consumer sector in language that undoub pleased Mr. Shelest, praising successes this year of the Uk tan coal industry, while the glamorous oil and natural *industries fell short of* targets.

Barnstorming

Moreover, unlike Mr. Kh chev, Mr. Brezhnev went storming last September in virgin lands, Siberia and Ce Asia, the few regions where viet agriculture was succe this year, thereby demonstr his concern and his effective

Western diplomats credit cow with shrewdly arranging large-scale Western grain p chases at bargain rates enough in advance to head the kind of privation suffe *in the winter of 1963-64* w Soviet bread turned gray beca the flour was being wate down.

In foreign policy Mr. Brezh has recovered from the failure that several analysts c sider to have been the real s of Mr. Khrushchev's undoi *the unsuccessful move to* strategic missiles in Cuba, wh led to his showdown with Pr dent Kennedy in October, 196

Through Mr. Brezhnev's "Westpolitik," as West Europ diplomats have been calling it has won American acceptanc strategic equality with the So Union as well as West Ger recognition of the postwar f tiers in Eastern Europe and separate East German nati two objectives that consta eluded Mr. Khrushchev.

Neither was able to end split with China but neither held personally responsible that.

The one point on which Brezhnev now seems vulner considering the strong per lead he has taken in relax *of tensions with the West,* the decision to be host to P dent Nixon last May despite mining of Haiphong harbor heavy bombing.

When the peace hopes in nam almost vanished, Mo felt embarrassed and the S press projected the air of a partner. But it was not su enough to foreshadow any of change in power in Kremlin.

The International He Tribune welcomes letters readers. Short letters have better chance of being p lished. All letters are sub to condensation for space r sons. Anonymous letters w not be considered for publica tion. Writers may request th their letters be signed o with initials, but prefere will be given to those fu signed and bearing the writ complete address.

War Is Peace

By Anthony Lewis

LONDON.—Fragment found in a dusty future corner of a time machine:

Dr. Kissinger—Ladies and gentlemen, after the 97th round of negotiations, I can say that a peace agreement is now *99* and 44/100 percent complete. It is obvious that a war that has preoccupied us for a generation is drawing to a conclusion.

If you will permit me, I would like to make one personal comment. When the number of North Vietnamese killed by the bombing passed *6 million last* week, I noticed that a foreign commentator asked how I could go on playing a part in such a war. Those of you who know me best, who have been my friends over these many difficult years, will know that my object all along has been to settle this war by *negotiations.*

That end is at hand. All that remains is to be sure that the peace will be a lasting one.

The President has therefore asked for a few minor clarifications in the tentative agreement. I will not go into the substance of the negotiations, but I can give you an example of the kind of problem the President wants to settle without ambiguity. That is the problem of elections.

The agreement has always been that a cease-fire would be followed in due course by a free election in South Vietnam. But President Thieu has felt a concern—and I may say that we regard it as a justified concern—about the effect undisciplined parties might have on the fragile structure of democracy in South Vietnam. We have therefore suggested that we include in the peace agreement a clear provision that only members of the New Democracy party be allowed to vote. As you know, that is President Thieu's party.

I have read some speculation in the press about Saigon having a *veto on this agreement. Let me* assure you, ladies and gentlemen, that there is no such thing. The obstacle cannot be Saigon, because we do not have, as yet, an *agreement that we can present to* Saigon.

The obstacle is North Vietnam. For the 12th year in a row I have had to break off the talks be*cause the other side is not serious.*

If they would show goodwill, we remain convinced that the unsettled issues are soluble in a very brief period. We have given a *solemn undertaking,* and I repeat it here now, to settle them at one more meeting.

Thank you. I will be glad to answer your questions.

Q.—Why do you think the North Vietnamese refuse to be serious?

A.—I don't want to speculate on their motives. But I can indicate the kind of charade we have been facing.

When I went back to Paris last month, I put our clarification of the election procedure on the table. The Communists then raised an entirely irrelevant demand— release of political pris*oners in South Vietnam.* Not only irrelevant, I may say, but frivolous, because unfortunately all the political prisoners have died.

Q.—Why have we resumed full-scale bombing of North Vietnam?

A.—There is a simple answer *to that: The Communists violat*ed the understanding of August, 1975. You remember that we agreed to limit our bombing to 20,000 tons a week in return for assurance that no Vietnamese would appear above ground between 6 a.m. and midnight. Our unarmed reconnaissance planes *saw three people walking on the* Hanoi salt plain the other day. We had no choice but to remove the bombing limits.

Q.—The new British prime minister has denounced the increased bombing. Does that concern you?

A.—If she thinks about what *happened* to Sweden, she might worry.

Q.—Dr. Kissinger, you have been in this job now under two Presidents. Do you ever feel that you would like to go back to academic life?

A.—Yes, I often think that I would like to take up that long*standing invitation to All Souls.* Or perhaps just join my friend Winston Smith in the café around the corner.

But I do not feel that I can shed this burden while I am the trustee of so many hopes. It has been painful in these negotiations to think of the hopes of millions and, indeed, of the hopes of you ladies and gentlemen.

Now we must redouble our efforts for a just peace, espe*cially because* we do not want to get peace mixed up in the political year ahead. I need hardly remind you, ladies and gentlemen, that today is Dec. 31, 1983.

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S. Library Draws Throngs Bucharest, Like an Oasis

By Raymond H. Anderson

CHAREST (NYT).—In less a year since its opening, iblioteca Americana (Ameri- ibrary) has become a sort itellectual salon for R- ans. The avant-garde center is as crowde as a watering n the Sahara.

oslavia is the only other unist country that has such cultural facility operating le premises of an American ary.

library here was opened anuary under an agreement ed by President Nixon dur- is visit in August, 1969. In Romania opened a library the United Nations in New

No Advance-Notice

h no advertising except a oot-square display case out- n an iron fence, the Amer- library has already attract- 00 members, about a third m students.

library has 7,000 books and es 180 magazines and three apers, The New York Times, Vashington Star-News and Christian Science Monitor.

The book stacks are open to visitors, an innovation for Ro- manians.

Music Room Popular

The cultural facility also has art exhibition halls, language classrooms, a theater and a music room. The music room in par- ticular is filled throughout the day, mainly by young people eager to listen to jazz and pop songs.

"The pressure from the young people is so great th we had to set aside one day just for older people wh want to hear classical music," said William Lasalle, director of the library.

It is in two 19th-century man- sions, linked by a former stable, on Alexandru Sahia Street near the center of Bucharest. Unlike the conventional interiors of many American libraries abroad, the facility is decorated in bold colors and designs that are some- what startling to Romanians.

"Our facilities are largely for intellectuals, for people who want access to latest developments in culture, technology and science," Mr. Lasalle said during a tour of the center. "The modern decor helps to create the right mood."

The library shows documentary films about five times a week, or- ganizes seminars and lectures, gives art exhibitions and con- ducts intensive English-language courses. It lends an average of 1?0 films a month to Romanian institutions.

Art Draws Crowds

As many as 1,000 visitors a day enter the unguarded center during art exhibitions. One of the more popular recent exhibi- tions was of paintings by two American Indians, Fritz Scholder and T. C. Cannon.

Among other cultural activities, the library has organized an American music week, with jazz, rock and classical performers and lectures in electronic music. It also has had programs in the American theater, a playing of Leonard Bernstein's "Mass," a showing of James Michener's art collection and a seminar on the writing of John Updike.

What do Romanians think of the Biblioteca Americana? A bushy-haired student in a leather jacket offered a commentary as he stood disappointed at the doorway shortly after closing time, too late to return two books.

"It's organized and it's modern," he said. "The lights are bright and the books are new."

lent Storms ike S. Italy, dslides Kill 8

ME, Jan. 1 (AP).—Snow, and windstorms lashed rn Italy today, disrupting and causing floods and ides from Rome to Sicily. least eight persons were Two were reported miss-

eight fatalities were reported Messina in northeastern Landslides buried two containing three families the night.

the Ciociaria region south ome, four youths were t in a snowstor during an in the mountains yester- Two found their way back. are still missing. Rescue were hindered by deep

ships sent out distress in the Tyrrhenian Sea dur- e night. The 346-ton Greek ship Maria P. was aban- adrift off the island of The seven crew members rescued by the Italian Fiamma. The other ship, Liberian-flag 500-ton Yaga, ged to reach shelter in the f Formia.

United Press International

HOLIDAY PARADE—Frances, a St. Bernard, presented her owners, Mr. and Mrs. Albert Smith, of Bangor, Maine, with a memorable Christmas present . . . 17 pups. Three of the little ones died, but that still leaves 14 mouths to feed. The litter is the first . . . and the last . . . for Frances, according to an overwhelmed Mrs. Smith.

Some Operations Delayed

U.S. Blood Banks Run Short Over Holidays

By Lawrence K. Altman

NEW YORK, Jan. 1 (NYT).—Holiday-season blood shortages so severe as to force postponement of elective surgery existed in several major cities across the United States.

Acute shortages were first not- ed in New York City, where last weekend officials of the Greater New York Blood Bank Program asked surgeons to cancel all but emergency operations. Although donors responded in sufficient numbers to increase the blood reserve to a day and a half's supply, still shortages were so great yesterday that officials said they could not effectively deal with a disaster such as an air- plane or bus crash.

Even in cities where blood sup- plies were low but still adequate to permit elective surgery, hos- pitals were forced to rely on blood from paid donors, thus increasing the risks of patients' developing infectious or serum hepatitis, which are serious liver infections. Use of commercial blood carries with it a much greater risk of a patient's developing hepatitis from several weeks to months af- ter receiving a transfusion of even one pint of blood.

Cities With Shortages

Among the areas where blood was in short supply were metro- politan New York, Boston and elsewhere in Massachusetts, Phila- delphia, Baltimore, Washington, Fredericksburg, Va., New Orleans and Shreveport, La., Chicago and Los Angeles. Some cities were able to meet their community needs only by importing blood that had been donated elsewhere. Injuries resulting from recent plane crashes in Chicago further depleted that city's supplies.

Blood-bank officials in Detroit said that their supplies were "dangerously low" but that they have not requested surgeons to postpone elective operations as has been done in some of the other above cities.

The blood shortage could wor- sen in some cities during the next two weeks, officials of the Red Cross, directors of blood banks, hematologists and other physi- cians in 20 American cities said in interviews. They pointed out that blood collections generally tend to lag in early January.

Shortages of blood traditionally accompany the Christmas-New Year holiday season, when the public is busy shopping, socializ- ing, vacationing and therefore less apt to stop by a blood center to roll up their sleeves and donate a pint of blood. The body quick- ly replaces the pint that is donat- ed.

Successive three-day holiday weekends for Christmas and New Year have also strained the work- ing schedules of many blood banks, officials said, making it harder for them to keep up the minimal volumes that are con- stantly needed to treat patients with a wide variety of diseases from cancer to stomach ulcers to blood disorders. Blood is also needed daily to treat patients with injuries suffered in automobile accidents.

Swiss Speed Limit

BERN, Jan. 1 (UPI).—A 100-kilometer-an-hour speed limit came into force today on all Swiss roads except freeways. The speed limit, termed a three-year experiment by the government, was aimed at cutting traffic deaths—already among the few- est in Europe—still further.

As Opposition Gathers Strength After Quake

Future of Managua, Ruling Family Uncertain

By Francis B. Kent

MANAGUA, Nicaragua, Jan. 1. —It was never really much of a city as world capitals go. It was hot and dusty and there was nothing in the way of classical architecture or memorable restau- rants.

But it was Nicaragua's capital city and home for more than 300,000 people.

Today, Managua is a waste- land, destroyed 48 hours before Christmas morning by an earth- quake that left up to 7,000 dead and no one knows how many in- jured. It is home, in the real sense of the word, for no one.

Thanks to a magnificent relief effort by more than 25 nations, this little Central American re- public is gradually sorting itself out.

Medicine, food, clothing and other necessities are coming in by air, sea, and land in a continuous stream. Distribution to outlying towns to which the homeless have fled has been a problem, but organization is improving by the day.

There are and will be critical shortages. No one is ruling out the possibility of fierce battles over the inadequate rations trickling into some areas. Troops have already been called out more than once to put down in- cipient riots.

And there are still hundreds, probably thousands, of dazed survivors here in what used to be Managua, huddled silently among the few possessions piled in front of their wrecked homes, unwilling to leave but unable to stay much longer.

Still to be faced, though, is the complex question of Nicaragua's future, a question obscured for the most part by the confusion of digging out and unraveling the urgent problems that go with disaster.

What, for example, should be the site of the new capital? Should it be rebuilt on the ruins of Managua or should it be shifted elsewhere?

What of the country's infant industrial community? Should it be reconstructed here or should it be decentralized, scattered to smaller cities that have been largely bypassed in the process of development?

What will be the political im- pact in a country that has been ruled for more than three decades by a single family? The question is valid because loyalties have been severely tested in the hectic week just ended.

As to the capital itself, the decision could be handed down in effect by one man, Gen. Anastasio Somoza Debayle. Gen. Somoza, who like his father and brother has served as president, is currently at the center of power as commandant of the National Guard, Nicaragua's standing army. He took over after impos- ing martial law in the first hours following the earthquake.

Capital by Law

For the record, Gen. Somoza has said only that "Managua is the capital city by law. It would require an act of Congress to move it."

Already, though, there is agitation outside Managua to transfer the seat of government to another site, to one or the other of Nicaragua's two principal provincial capitals—Leon and Granada—or to a presently un- inhabited area.

To the northwest at Leon, the traditional stronghold of Gen. Somoza's Liberal party, steps are being taken to install at least part of the federal government. Mayor Roger Blandon Velasquez told reporters that the Ministries of Education and Social Security were already functioning there and that quarters were being sought for the Agriculture Min- istry.

Mr. Blandon said, too, that an effort was being made to attract some of the factories that will have to be rebuilt to replace those destroyed in Managua.

Similar claims were being pressed at Granada, the historical seat of the opposition Con- servatives, to the southeast. Managua is roughly midway be- tween the two.

Meanwhile, Gen. Somoza will have to face up to political ques- tions of increasing delicacy.

To begin with, serious charges have been raised that officers and men of his National Guard have engaged in organized loot- ing of Managua's battered com- mercial district and that they have stockpiled emergency relief supplies for their personal use.

Reporters have seen men in uniform carrying off valuable ap- pliances, and Gen. Somoza him- self is reported to have cautioned his men against violating the laws.

Reserve Supplies

At Leon, the provincial com- mandant, Col. Benjamin Campo, admitted that he had received supplies of food from the Guate- malan Army and that these were being "kept in reserve as a means of controlling distributions in the event of critical shortages." He did not say what he had stock- piled or in what quantities.

Shortages of almost everything have already reached the critical point at Leon.

Further, the Conservatives at Granada were obviously much more in command of the emer- gency than were the Liberals of Leon. Working with the church, they had completed a register of the masses who fled from Mana- gua, rounded up provisions and made arrangements for orderly distribution.

At Leon, supplies were dwin- dling and as late as Friday har- ried officials at the city hall were still in the process of getting organized.

This contrast in performance could bear heavily on the elec- tion scheduled for little more than a year from now.

Peter M. Dwyer Dies; Detected Spy Klaus Fuchs

OTTAWA, Jan. 1 (AP).—Peter M. Dwyer, 58, a former director of the Canada Council and a one-time British Secret Service agent credited with nabbing atom spy Klaus Fuchs, died yes- terday.

Mr. Dwyer had suffered a stroke about two years ago and had another Saturday. British- born, he came to Canada after heading the British Secret Ser- vice in Washington during and after World War, II.

His first job in Canada was with the National Research Council.

Kim Philby, the Russian spy who infiltrated the British Se- cret Service and replaced Mr. Dwyer in Washington in 1949, credited his predecessor with fingering Fuchs as the leak at the Los Alamos, N.M., nuclear research center.

In his book "My Silent War," Philby wrote that Mr. Dwyer, by a "brilliant piece of analysis" of the movements of Fuchs and other suspects, singled out Fuchs, a British physicist, as the spy.

John H. Kaufmann

ALEXANDRIA, Va., Jan. 1 (AP).—John H. Kaufmann, 53, an official of the Agency for In- ternational Development, died Saturday. He was responsible for reviewing all lending opera- tions of the foreign aid agency.

The American Matador from Seville

By Ike Taylor

SEVILLE, Spain (IHT).—John Fulton Short is a modest, lanky man from Philadelphia with an improbable past and a promising future.

Short—or Fulton as he is known in Seville where he has lived for 15 years—is a full-fledged matador, an author and an artist—he owns two galleries, one in Marbella and another that he opened recently in Seville.

Despite an apparent disparity of interests. Fulton's three careers have a central theme: the bullring.

"When I was 13 years old, I saw Tyrone Power in the movie 'Blood and Sand' and knew I had to be a bullfighter." That 1941 movie led to a 20-year struggle to reach the top in one of the world's most competitive sports.

"While a student at the Philadelphia Museum School of Art," he said, "I won a scholarship to study for a year at the San Miguel de Allende Art Institute in Mexico. There, I met the Mexican matador Pepe Ortiz, who had a ranch nearby. He guided me in my first steps as a bullfighter. And, there in Mexico in 1953, I killed my first bull."

Later, while doing his military service, Fulton was stationed in Texas and moonlighted on weekends in the Mexican bullrings.

"I had read Ernest Hemingway's 'Death in the Afternoon,'" he went on, "and knew I must go to Spain. I arrived in Seville in 1956. To say I was given the run-around by the Spanish impresarios, is putting it mildly."

He got some fights as a novillero but "my early years in Spain were lean." He supported himself by selling paintings and drawings. Finally, in 1963, he was promoted to the rank of full matador in the Real Maestranza bullring in Seville, the only American ever to be so honored in this city.

"A lot of people encouraged me, including Ernest Hemingway," Fulton recalled. "He gave me $100 once when I really needed it. It was a lot of money in those days."

After his acceptance in Spain, he made several tours of Mexico and has fought on the same bill as El Cordobes, Antonio Ordoñez and other top matadors.

Fulton, who is tall (6-foot-1) and slender (190 pounds), a little gray in his light brown hair, talks more about bulls than art or books. "If you talk about art," he says, "you talk it out of yourself. I like to do it, not talk about it."

What he does are realistic works on bullfighting themes—oils and pen and ink drawings of animals and bullfighters. He uses bull's blood as a medium. "I owe my interest in bull's blood as a medium to James A. Michener, the writer," he said. "He took me with him to see the cave paintings at Altamira ... I was impressed that the cavemen had used bull's blood in their paintings. So I began to experiment with it. I only use the blood from bulls I have killed in the arena." The resulting appearance is akin to that of a deep red wash.

As a foreign bullfighter, Fulton has had to follow the rules exactly. No innovations. But, in his paintings, he makes his own rules. "I don't have any particular style. I just paint the way I want to at the moment. As a matador, I have gone as far as I can go. But in art, I am just coming into my own. I can only get better."

As far as writing is concerned, Fulton seems to have a success on his hands: "Bullfighting," published last year by Dial Press. "After so many Americans and other foreigners asked me the same questions about bullfighting so many times, I decided to write all the answers down," he said. "Words came hard for me as I had never written anything before."

Different from most books on bullfighting, which are written for the expert or deal with the romantic past, Fulton's book is a primer, heavily illustrated with photographs and his own precise drawings. "It seems to be selling well in the States," he said.

Fulton has little encouragement to offer foreigners interested in following his example. "I still fight because I like it," he said, "but the system all but eliminates foreigners from fighting in Spanish bullrings." Most of his bookings now are on the Costa del Sol and in other tourist centers were he is a drawing card. "The bullfighting setup was—and still is—to say the least, discouraging."

Botan.
John Fulton in his traje de luces.

Entertainment in New York

NEW YORK, Jan. 1 (IHT).—This is how critics reviewed new stage productions:

"The Trials of Oz," a courtroom drama by Geoff Robertson, got mixed reviews from four critics at the Off-Broadway Anderson Theater. William Glover, of the AP, wrote: "Despite some validity as justifiable proof of how these times are a-changing, and the box office come-on of songs by Mick Jagger and John Lennon-Yoko Ono, the exhibit is guilty of exuberant self-indulgence and fulsome obscenity."

According to Douglas Watt, the Daily News reviewer, the new play is a "far cry from perfect holiday fare for parents," but "in general, a unique and disarming entertainment, and one that raises a number of disturbing questions during its mostly lighthearted course." Timesman Clive Barnes said: "All courtroom scenes from Perry Mason onward have a certain charm, but this had less than most... It was difficult to take especially seriously." To Richard Watts jr., the New York Post, "The Trials of Oz" is "curiously interesting." The show concerns the actual 1971 case of three editors of Oz, a British underground magazine, who were imprisoned on charges of undermining public morals.

PORTUGAL

The Art of Rug-Making in a Pris[on]

By Henry Giniger

LISBON (NYT)—Portugal's only prison for women has also become one of the country's most successful manufacturing centers. The major product is rugs, with the demand for them so high that the prison has a three-year backlog of orders and will not accept new ones for another two years.

The handsome wool rugs, each painstakingly handstitched by the women inmates, grace the floors of embassies and private homes throughout the world. Everybody seems proud and happy about the activity—the customers, the inmates, the smiling and patient Roman Catholic nuns who watch over them and the penal authorities, who are eager to show visitors their model prison.

The whitewashed buildings with red-tiled roofs are spread over about 85 acres of gardens and vegetable plots near the little town of Tires in the Estoril area, a few miles north of Lisbon. Few male guards can be seen, surveillance and discipline being left to soft-spoken and gentle nuns who belong to the order of Our Lady of the Good Shepherd.

Half Full

Three large pavilions are designed to house 150 prisoners each but the prison is only about half-filled. Orbilio Barbas, deputy director-general of prisons, said that "the crime rate in Portugal has gone down."

The Portuguese penal code makes work in prison obligatory, but Sister Mary of Precious Blood says there is no problem applying the rule.

"They all want to work," she said. "They earn good money. Some of it goes to help support families on the outside. Some of it is saved. One prisoner left here with more than $1,500 from her work."

The women, who wear blue smocks, work in a large, bright room, patiently sewing with large needles. For rug backgrounds they are paid not quite $4 a square meter and for sewing in the design, just under $3 a square meter. The stitching, a kind of herringbone weave, is identified with the town of Arraiolos, where this type of rug first became famous. Colors are subdued and designs are usually conservative.

"Americans generally like brighter colors than others," Sister Mary said. The price for a standard design and standard colors is $21.37 a square meter but this may go up to $22.90 a square meter for more complicated things. (When the prison is accepting orders, it will do a customer's own design.) The attractive prices help account for the present backlog of some 400 rugs.

In other rooms, prisoners do embroidery work or make utility clothes for other public institutions. One major activity is making shoe boxes for Sears Roebuck and Co.

Some of the women have been inmates for a long time. Portugal abolished the death sentence more than 80 years ago, with sentences for crimes such as murder calling for a maximum of 30 years. Mr. Barbas said a lot of women were making rugs in prison after having murdered their philandering husbands, usually with progressively large doses of rat poison. The group is known as the "Merry Widows Club."

"The Portuguese are very jealous people," he said.

Each prisoner has her own small room that she is allowed to decorate herself. Younger women with only a few years of schooling get an opportunity to complete their education, as well as work.

The system also allows the women to keep their children with them up to the age (youngsters up to 6 are [occa]sionally permitted to stay); children are housed in the[ir] building with a kindergarte[n] [and] see their mothers in the ev[ening].

The nuns report that di[scipline]ary problems are rare. The [wom]en appear to respond to [...] treatment (and the fact tha[t this] is a devoutly Catholic cou[ntry]) rising respectfully when the[y] enter one of the work room[s] kissing their hands as a si[gn of] devotion. (One nun recalle[d a] time a prisoner became f[...] with her and exclaimed, "[If you] weren't wearing that ha[bit, I] don't know what I'd do to [you."])

Sometimes, the prisoners, [par]ticularly those who have [served] long terms and feel in[...] don't want to leave when [their] sentences are up. But the yo[unger] ones go out to rebuild the[ir lives] with the help of skills they [never] had before.

Dining Out in London: Chic an[d]

Charm and Simple Good Fo[od]

By Naomi Barry

LONDON (IHT).—When you are David Niven and the moon is your balloon, you can decide it would be fun to have a restaurant in London and within a few months have it become the hit show in town.

Niven and five friends pooled their chips and settled on the Belgravia section as the hungriest neighborhood for chic and charm along with good simple food. The result is Drones, and even if you are an habitué you will probably need a reservation, made a minimum of 24 hours in advance.

It has become an unofficial club for the bright people, at least half of whom seem to know each other. If Drones is a criterion, the young women in London are among the prettiest in the world. Even the mothers who come with their children on a family outing look like mannequins.

The menu never changes except for the single daily specialty. The core is the finest Scottish beef available. Everything is charcoal grilled: the sirloin steak, the smaller-sized ladies' steak, the chopped steak. Other meats done on the grill are English lamb cutlets, veal steak, chicken, and calf's liver and bacon. The meats are flavorful and first quality, as promised. The calf's liver is done to pink and juicy perfection, unless you are foolish enough to insist on well-done.

Light on Sauces

"People are tired of sauces," says Luis, the Spanish-born manager. Those slim figures in tight pants and battle jackets with fur sleeves (the current uniform) obviously would not be pa[tronizing] Drones if it were hea[vy on] Hollandaise and Mornay.

If you want a British no[te,] choose an appetizer like [...] shrimp or prawn cocktail. [If you] are feeling more American, [there] are chef's and chicken chunks salads. The spinac[h and] bacon salad, in neither ca[se] excellent.

The chili has drawn the [high]est praise from visiting T[exans]. It is served as a main dish [or in] half-portions as a side orde[r]. [The] carafe wine is a Talbot [...] and there is one château-[bottled] wine, a Clos René 1962.

Drones offers wholesome [food,] not haute cuisine. But th[e food] is well seasoned and well c[ooked]. Niven, whose autobiography ["The] Moon's a Balloon" was a 19[...] seller, is a long-time resid[ent of] St.-Jean-Cap Ferrat and [has] an exigent French palate.

The decor has a lilt. [The] wrought iron tables are p[ainted] white. The natural be[ntwood] armchairs have green [...] cushions. The gleaming [...] walls are decorated with [paint]ings of old English patc[hwork] quilts, surprisingly avant [garde] in composition. Green pla[nts in] milk pails are suspended [from] the skylight in the middle [of the] ground floor dining room. [The] ground floor is considered [most] desirable but from the p[...]tude of the people tr[ooping] through, downstairs has [to be] regarded as equally desira[ble].

On the wall in the ba[r is a] collection of movie star [photo]graphs. These are wor[th a] glance: Michèle Morgan [in her] first communion dress. [Danny] Kaye as a youngster. Yu[l Bryn]ner with hair at the age [...]

(Drones, 1 Pont Street, S.W. 1. Telephone: 235-96[...] for lunch and dinner, se[ven days] a week. Average price: a[...] However, nobody gets [...] you eat meagerly for £1.)

Around th[e] Paris Galler[ies]

Embroidered Hangings F[rom the] House of Victor Hugo, [Maison] de Victor Hugo, 6 Pl[ace des] Vosges, Paris 4, to Fe[b. ...]

This is a temporary e[xhibition] of beaded and emb[roidered] hangings dated about 17[...] Victor Hugo integrated [in the] elaborate decoration of h[is home] on the island of Guernse[y where] he lived 15 years in exil[e during] the reign of Napoleon I[II. They] have just been restored [and will] shortly go back to Hautevil[le House] where they belong. Hug[o was a] man of prodigious activi[ty: writ]er, painter and interior d[ecorator] —since he designed an[d] executed the fantastic an[d ...] decoration of his home [...] Some of this work is on v[iew] in Paris. The museum [in]cludes a large selection [of] wash drawings which [are on] permanent display.

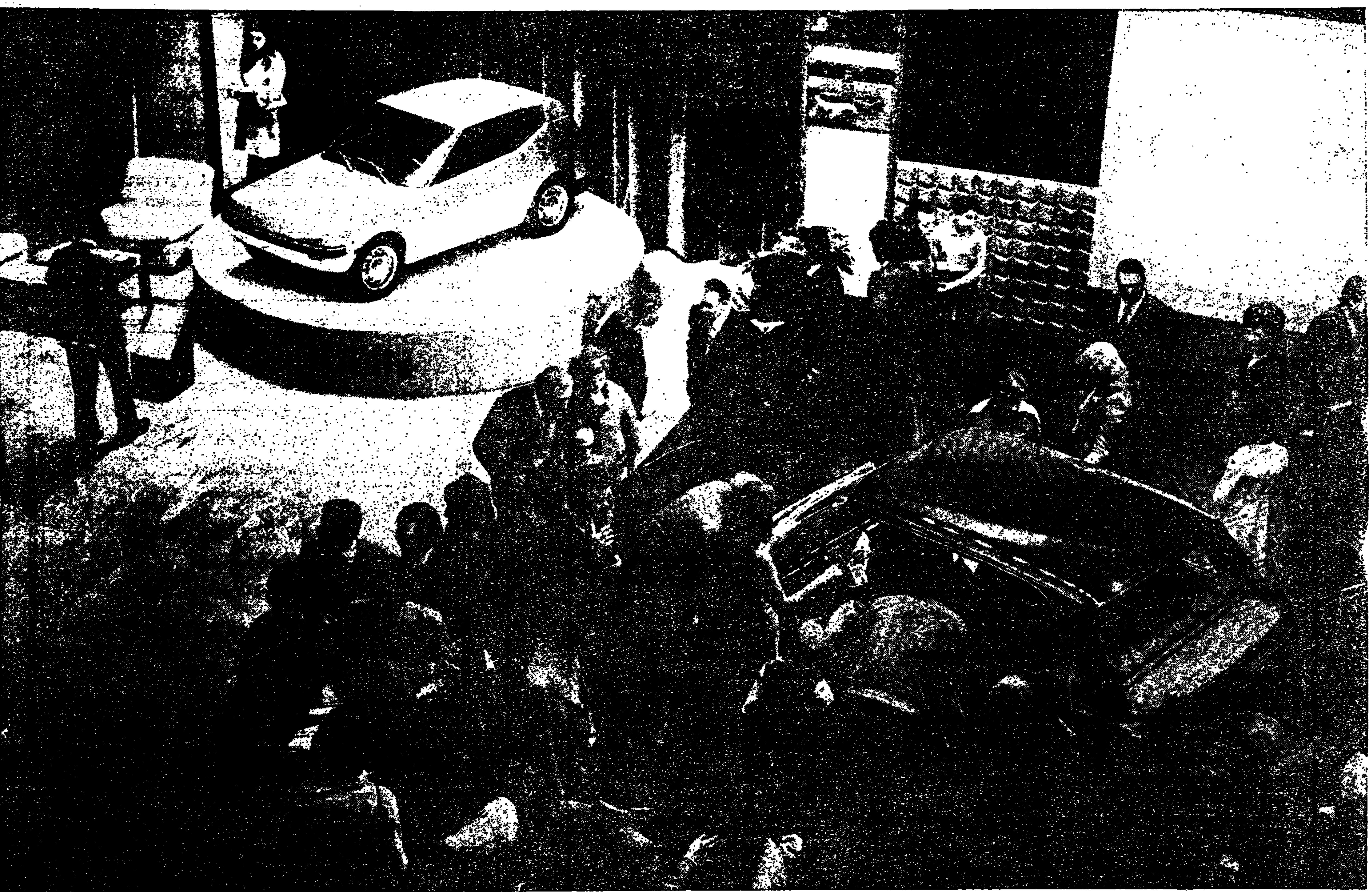
• • •

Leonor Fini, Art & Valeu[r], Arsène Houssaye, Par[is], Feb. 15.

Countess de Ségur was [...] one of the most priggish [and in]sipid writers in the Fre[nch lan]guage. Leonor Fini has c[hosen to] illustrate her book "Les [Petites] Filles Modèles" in a man[ner that] strives towards the p[...] erotic. With a crisp, deli[cate] economical line she dep[icts the] pug-nosed little heroines [behav]ing in ways that would h[ave sur]prised the countess. The [result] is hardly surprising to [...]ever; in fact, it is rather [...]able, and on the whole [...] mild.

MICHAEL GI[...]

It's not enough to build the kind of cars society needs. They also have to be the kind of cars society will want.



In view of the clogged highways, snarled city traffic, and impossible parking conditions prevailing in Europe today, the idea of a small car makes sense.

But when it comes to spending hard-earned money on a car for you and your family, the reality of a big car can make even more sense. Because it gives you more room, more passing ability, and a smoother, more comfortable ride.

Ever since we at Fiat invented the small car back in 1936, we've spent a good deal of time trying to reconcile this conflict of interests.

Consider the Fiat 127 and 128. Two of the furthest extensions of our thinking to date.

In the 127 and 128, 80% of the space is devoted to you and your luggage, and only 20% to the engine. With the result that these cars are roomier inside than some American cars over 1m longer, yet shorter outside than other European cars in their class.

(If you insist on a larger car, we have the Fiat 124 and 132. They're both shorter outside than almost anything in their class, yet have more usable space inside than some of Europe's "luxury cars.")

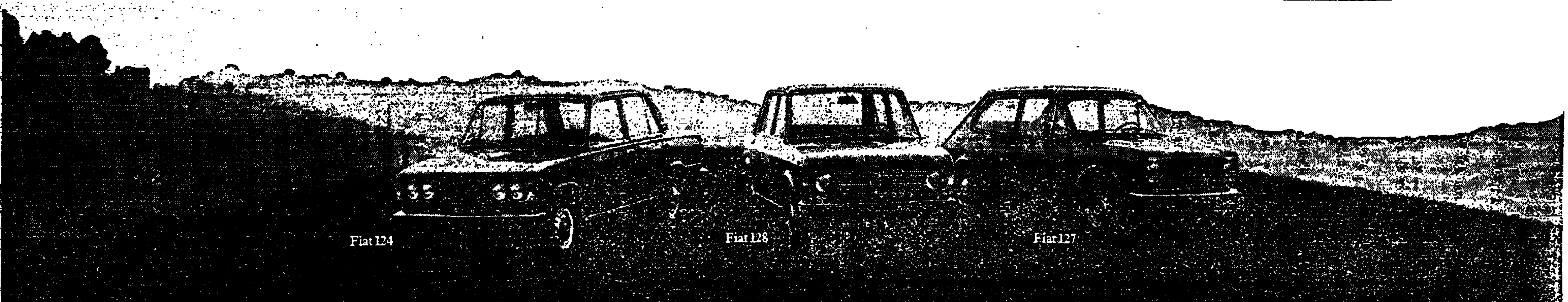
As for their engines, what the 127 and 128 lack in brute size, they make up in efficiency. Both have transverse-mounted engines that give you top speeds of 140 km/h and day-long cruising at 120 to 125 km/h without strain. They get in the neighbourhood of 14 km per litre of fuel. And when it comes to acceleration, both have more passing ability than cars with engines hundreds of cubic centimetres larger.

Lastly, the Fiat 127 and 128 are distinguished by an unprecedented number of other refinements for cars of their size, ranging from front disk brakes to front-wheel drive. Which means superior performance and handling. And superior traction in ice and snow.

In these cars, we believe you'll find the big-car qualities you want.

Without the social penalties that come from actually owning a big car.

FIAT



Big U.S. Brokers Woo Japanese Investors

By Terry Robards

NEW YORK, Jan. 1 (NYT).—Clear signs are cropping up that Wall Street will make its first significant sales pitch in Japan, where playing the stock market is almost a national pastime.

In response to a relaxation in Japanese foreign investment restrictions, major American brokerage firms are closely scrutinizing the potential there with a view toward establishing branch offices or joint ventures that would enable them to cater to the Japanese enthusiasm for investing.

American mutual-fund organizations already are registering offerings specifically tailored for Japanese investors. The first substantial buying of American stocks by individuals in Japan, in fact, may occur in the next few months through these intermediaries.

In March or April James J. Needham, chairman of the New York Stock Exchange, will undertake an expedition across the Pacific to extoll the virtues of American securities markets. Next month the Pacific Coast Stock Exchange will send a group of its members to Tokyo to study the market there.

Within a few days Richard B. Howland, executive vice-president of Bache & Co., Inc., will travel to the Far East to test the investing waters. Bache is understood to be interested in opening a Tokyo office, although no decision has been made yet.

"We want to get an operation going over there, and we're going to try real hard after the first of the year," said James W. Davant, chairman of Paine, Webber, Jackson & Curtis, Inc., another big Wall Street house.

"It's one of the most desirable places to go," he added. "We wish we'd done it some time ago." Mr. Davant said a top officer of Paine, Webber would be dispatched to Tokyo within a month.

Reynolds Securities, Inc., which just announced the acquisition of a European operation, is now considering Japan. "The next logical extension would be to do something in Japan, and we'll take a close look at it," said Robert M. Gardiner, president.

"There are a lot of dollars in Japan," he continued, "and one way to put them to use is to buy American securities." This was a reference to Japan's enormous foreign currency reserves, which are mostly in dollars.

Most knowledgeable American financiers are aware, of course, that it is difficult to do business in Japan without close ties with one of the major Japanese investment houses that tend to exercise control over things.

Thus, it was not surprising that the Dreyfus Fund disclosed last week that it would offer 800,000 shares in Japan in a month or so in a deal with Daiwa Securities, one of Japan's top houses.

Dreyfus has registered the offering with the Finance Ministry in Japan and will make the offering at the prevailing net asset value of the fund, plus sales commissions, when it is marketed.

In a similar effort to woo Japanese investors, Merrill Lynch, Pierce, Fenner & Smith, Inc., announced the formation last week of Fundamerica of Japan, which it described as the first mutual fund established in the United States expressly for sale in Japan.

Its partner in the venture is the Nomura Securities Company, which has been called "the Merrill Lynch of Japan." The new fund will invest primarily in American common stocks, and its objective will be long-term capital appreciation.

New regulations covering foreign investment trusts now permit Japanese individuals and institutions to invest in foreign mutual funds for the first time. Merrill Lynch and Dreyfus are certain to be only the first of many American organizations to offer funds there.

Alert to Developments

Although Investors Diversified Services, Inc., the largest fund organization in this country, has yet to make a decisive move toward Japan, a spokesman said the other day: "We're alert to developments there and are taking a serious look."

A Canadian fund operation also is jumping into the Asian nation. The Investors Growth Fund of Canada said it would market its shares in Japan through Nikko Securities at about the same time the Dreyfus offering occurs.

Merrill Lynch at present is the only American brokerage concern actually licensed to receive orders directly from Japanese investors, although Burnham & Co., Inc., has operated in Japan through a representative office for years, dispensing mainly research. Baker, Weeks & Co., Inc., has a similar office there.

More Foreign Investors Seen Buying U.S. Stocks

NEW YORK, Jan. 1 (AP-DJ).—Overseas investors are continuing to buy U.S. stocks and probably will do so in increasing numbers this year, according to a panel of securities experts interviewed by Barrons financial weekly.

Their consensus is that the typical European securities portfolio already is about one-third invested in U.S. stocks, substantially higher than in 1971. Still, many European investors are traveling around the United States looking for investment opportunities, and French, West German and Italian bankers reportedly are urging their clients to sell half their European stock holdings and to put the funds into U.S. securities.

Prompting this movement of investment capital, the experts say, is lessening U.S. inflation, which is increasing rapidly in the Common Market and Japan; increasing strength of the dollar, and attractive price levels for U.S. stocks.

Also mentioned in the panel discussion was the lessening threat of liquidation of dollar holdings by foreign central banks. "The threat is still there," one participant in the interview said, "but it's probably not as big as it was" a year ago. "One of the reasons it hasn't taken place is the fact that interest rates in this country have remained relatively stable."

"I see some very compelling reasons for foreign investors to be buying U.S. stocks at this point," one expert said. "The growth in the money supply in a number of the major industrialized foreign countries has averaged something like 17 percent over the last 18 months, which most experts would contend is well in excess of anybody's capacity to produce in real terms. And any measures that would be taken to correct the situation would have to cause some form of economic slowdown, which in turn would affect corporate earnings."

Record Set for Eurobonds During 1972, Banks Agree

By Carl Gewirtz

PARIS, Jan. 1 (IHT).—While none of the banks who keep score agree about exactly how much business was generated on the Eurobond market last year, there is no question but that 1972 was by far the biggest year yet.

The latest to weigh in with year-end statistics is White, Weld & Co., which reports total international bond offerings amounted to the equivalent of $5.662 billion.

While the figures differ from those of Kredietbank Luxembourgeoise, for example, which has reported a 1972 record of $5 billion, the two banks agree that there was a massive gain over 1971.

White, Weld reports a 55 percent gain from the $3.64 billion of 1971 while Kredietbank has called it a 49 percent gain. Much of the difference is due to the fact that White, Weld includes certificates of deposit and Dutch guilder issues whereas Kredietbank does not.

While the numbers may vary, the trends that emerge from the statistics are the same. Thus, White, Weld shows that dollar issues predominated last year, amounting to $3.29 billion, or 58 percent of the total compared to 60 percent in 1971.

The leading managers and co-managers of internationally syndicated bonds this year (with each manager getting full credit for each issue) on the White, Weld list show this order:

'72 Bank	('71)	No. Issues	Value $ million
1. Deutsche Bank ...	(1)	51	$1,542.4
2. Union Bank Switz.	(10)	40	1,190.
3. Paribas	(3)	40	1,044.
4. White, Weld	(5)	40	957.
5. Warburg	(4)	38	909.
6. N. M. Rothschild...	(8)	31	877.
7. Kredietbank	(6)	37	867.
8. B. C. Italiana	(17)	25	829.
9. Dresdner	(13)	27	766.
10. C. C. de France ...	(14)	28	677.

However, getting credit just for the issues managed, the White, Weld study shows:

Bank	Value	No. Issues
1. Deutsche	512.9	17
2. White, Weld	450.9	21
3. Morgan & Cie	406.1	13
4. Rothschild	284.2	9
5. Kuhn, Loeb	245.	8
6. W. Deutsche Land .	240.5	8
7 Dresdner	234.3	8
8. AmRo	203.4	12
9. Kredietbank	129.8	5
10. Warburg	135.	7

BUSINESS

INTERNATIONAL
Herald Tribune

FINANCE

Published with The New York Times and The Washington Post

PARIS, TUESDAY, JANUARY 2, 1973

U.S. Economy Is Expected to Reach Its Full Output Potential This Year

By H. Erich Heinemann

NEW YORK, Jan. 1 (NYT).—The United States economy is going forward into 1973 under full head of steam.

After two full years of business expansion, there is every indication that the pace of economic growth—far from slowing down—is actually accelerating.

According to Albert T. Somers, chief economist of the Conference Board, the economy is currently at "the hot center" of the business cycle expansion so that "for the time being it is difficult to find even small straws in the cyclical wind that suggest any slowing down of the growth rate in the near future." The Conference Board is a nonprofit business-sponsored research organization.

Some time during 1973, in the view of most private business forecasters, the gap between the economy's actual output and its long-term potential—which opened wide during the 1970 recession—should for all practical purposes be closed.

The major policy challenge facing President Nixon's team of economic managers in the new year, analysts are saying, will be to guide the nation's surging economic machine back into the zone of full employment without overshooting the target and generating a new round of inflation.

As Norman Robertson, the chief economist of the Mellon Bank in Pittsburgh, put it not long ago: "The time for a cautious and careful application of the economic brakes may soon be at hand."

This will not be an easy job. Forecasters are unanimous in predicting that 1973 will be another bumper year for the American economy—that the gain of roughly $100 billion in gross national product that is now on the books for 1972 will be followed back-to-back by an increase on the order of $110 billion in 1973.

To put these figures in perspective, simply the growth in output in the United States during 1972 and 1973 will far exceed the total production of all but a handful of nations in the world.

In relative terms, too, the 1973 economy—measured both in current dollars, which reflect rising prices, and constant 1958 dollars, which do not—is expected to be remarkably similar to the exceptionally strong 1972 performance.

Predictions Masked

But the year-to-year comparison of the annual average of total output of goods and services—which is what is involved in projecting a gain of $110 billion for the new year—masks a great deal of what the forecasters are predicting about the 1973 economy.

Frederick W. Deming, senior economist at the Chemical Bank in New York, voiced a typical view last week when he predicted that the economy next year would show "a continuation of an orderly and satisfactory business upswing, with no re-emergence of serious inflationary problems."

Mr. Deming added this caveat: "A moderate slowing of the pace of advance as the year proceeds is both likely and appropriate."

Michael K. Evans of Chase Econometric Associates in Bala Cynwyd, Pa., who uses a large-scale mathematical model of the economy in his forecasting, believes that the fast-slow pattern of the economy in 1973 will be much more pronounced.

"Most people are predicting," he said in a letter to his clients last week, "an even-tempered but unspectacular growth throughout 1973." On the other hand, he added, "we are predicting a very rapid first half [of the year] and a very much slower second half."

Record of Accuracy

Assuming that this forecast is close to the mark—and Chase Econometrics has had a remarkably accurate track record in its forecasting during the last few years—then the dimensions of the policy problem begin to emerge.

Put simply, these are to apply just enough economic braking to prevent the business expansion during the next six months from turning into a runaway boom (which would greatly increase the risk of an eventual slowdown and recession in 1974 or 1975) but not so much as to accentuate the expected second-half slowdown and abort the economic recovery prematurely.

Indeed, it is fair to say that—given the long and variable lag between economic policy actions and their impact on the real world of production, jobs, incomes and prices—what the government has already done will have a great deal to do with the shape of the 1973 economy.

President Nixon has already clamped a tight lid on federal spending in an attempt to hold Washington's total outlays to $250 billion in the current fiscal year. Achieving this target would still leave a substantial amount of red ink on the government's books. But—since the economy is at this time still running below capacity—the resulting deficit need not lead to new inflation.

Slow to React

By contrast, recent evidence suggests that the semi-independent Federal Reserve System, which has the crucial task of managing the nation's money supply, has been slow to react to the gathering strength in the economy.

True, the money managers as far back as last summer indicated their desire to slow the rate of growth in the supply of money—a total that many economists believe has a key influence on the future course of overall business activity.

The central bank's good intentions notwithstanding, however, it appears to have closed the books on 1972 with a rate of growth in money that is high by historical standards. This should give added upward thrust to the economy in 1973.

As the Federal Reserve Bank of St. Louis noted last week, "monetary growth has been rapid during 1972," with the money supply (most checking accounts at the banks plus currency in the hands of the public) expanding at a 7.4 percent annual rate. By contrast, money grew at a 5.9 percent annual rate during the five years ended with 1971.

In the last few months, short-term interest rates have in fact risen substantially in the open market (including the increase to 6 percent from 5 3/4 percent that became generally effective last week). Some analysts have interpreted the rise in short-term rates as evidence of a modest tightening of the central bank's monetary policy.

But whether the Federal Reserve will be successful in applying a gentle touch to the economic brakes is still an open question. The answer will depend on whether or not the Fed is able to allow the expansion of money somewhat in the months immediately ahead.

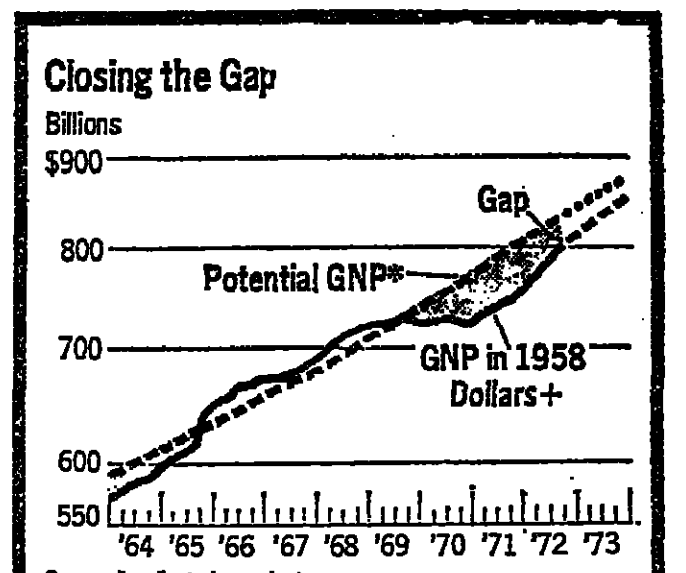
Extended Controls

The general assumption of most business forecasters is that Congress will accept President Nixon's decision to extend wage and price controls—more or less in their present form. Interestingly, few forecasters appear to believe that the controls, in and of themselves, are likely to be particularly critical to the actual performance of the economy next year.

According to Norman Robertson of the Mellon Bank, "It is virtually impossible to isolate the role played by controls from the impact of other forces concurrently at work in the economy."

A. Gary Schilling, who is chief economist for White, Weld & Co., Inc., a major Wall Street concern, says that "wage controls appear to have had some influence on pay gains" but that the "overall effectiveness of the Phase Two [economic controls] is difficult to qualify."

Far more crucial to the outlook for inflation than the presence or absence of controls, many economists are arguing, will be the rate of expansion in the general economy and its relationship to available productive capacity.



Seasonally adjusted annual rates

*As calculated by the Council of Economic Advisers through 1972-III; assumed to grow at an annual rate of 4.3% from 1972-III to 1973-IV.

+Actual through 1972-III; values for 1972-IV through 1973-IV are Mellon Bank estimates.

The McGraw-Hill department of economics, which publishes one of the most widely followed indices of capacity utilization, noted last week the excess capacity in American industry is "dwindling in line with the expected production boom." Because much of the unused capacity is old and inefficient, many economists believe that an operating rate much over 85 percent will trigger substantial spending for new plant and equipment.

Capacity utilization in November averaged 82.5 percent in the manufacturing, mining and utility industries, McGraw-Hill said. It was the fourth consecutive month in which the estimated operating rate had jumped by one-half percentage point.

Whether or not the economy is now close to the practical ceiling of its capacity, the sources of strength in the economy are not hard to find. According to Townsend-Greenspan & Co., Inc., a widely-respected economic consulting concern, not only was industrial production strong during November but also "additional, and extensive, upward revisions in the data for September and October underscore the acceleration."

New orders for durable goods were up sharply in November, Townsend-Greenspan said in a recent letter to its clients, and this contributed to a pattern of "hardening" in the business recovery that is now starting to trigger demands for additional inventories.

Indeed, inventory accumulation, according to the concern, should run at an annual rate of $10 billion in the fourth quarter and rise to $15 billion by the second quarter of 1973. This contrasts with an inventory gain of only $400 million in the first quarter of 1972, $5 billion in the second quarter and $8 billion in the third quarter.

Some analysts—notably Saul B Klaman, chief economist of the National Association of Mutual Savings Banks, and the Wharton Econometric Forecasting Associates at the University of Pennsylvania—are deeply concerned that consumer confidence could suffer seriously should the current impasse in the Vietnam peace negotiations prove to be more than temporary.

According to Lawrence R. Klein, George R. Green and F. Gerard Adams at the Wharton School, "Consumers hold the key to the next major thrust of this expansionary economy. If they respond to a peace settlement by breaking out of their present high savings mood, the economy is in for more of a boom than is now being projected."

But in an address to the annual meeting of the American Finance Association last week in Toronto, Mr. Klaman warned that "the black cloud of Vietnam" could alter the optimistic economic outlook for 1973.

Vietnam aside, however, the ability of the Federal Reserve System to keep the nation's money supply growing at a moderate rate (presumably somewhat below the relatively rapid pace posted this year) could well hold the real key to the 1973 economy.

"If the Federal Reserve can keep monetary policy on a steady course," the Argus Research Corporation, a leading investment advisory service, told its clients recently, "the United States will continue to outperform the other industrialized countries in terms of real growth and controlling inflation."

Markets Closed

Stock markets, commodity markets and currency exchanges were closed Jan. 1 in most U.S. and European centers.

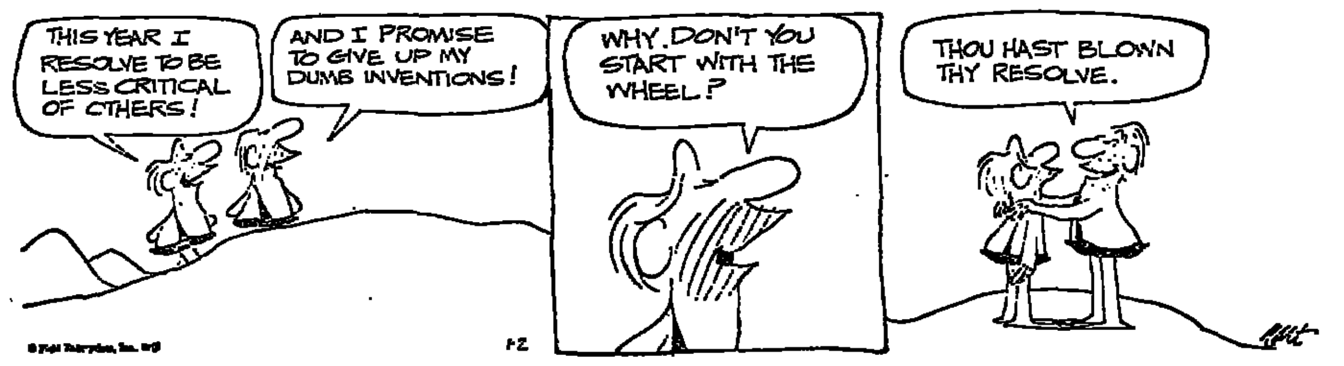
Strikes Cost Italy 73 Million Hours

ROME, Jan. 1 (UPI).—The Italian economy lost 73,702,000 manhours of work in the first 10 months of 1972 because of strikes, the Central Institute of Statistics announced.

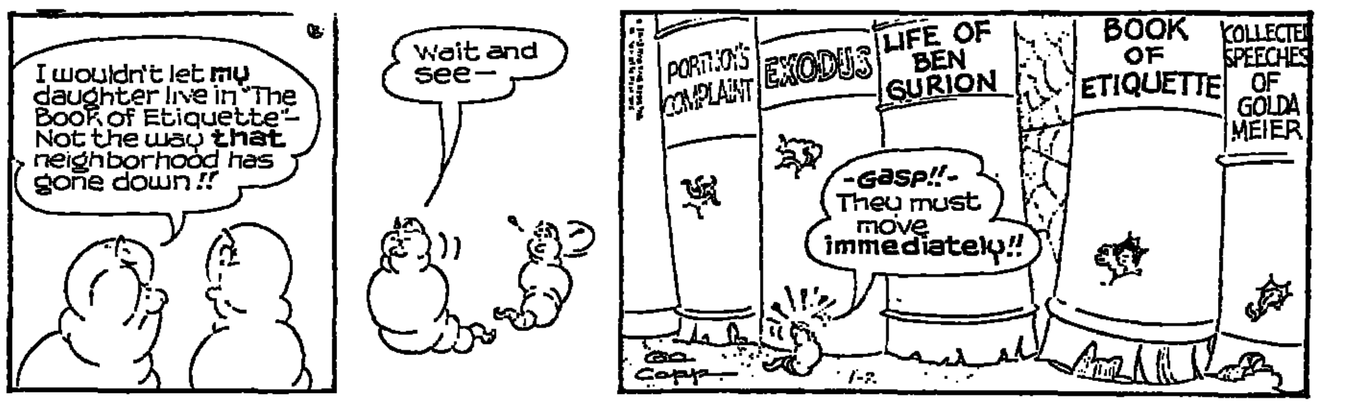
It represented a 12 percent decline from the same period in 1971. The institute said that minimum salaries and wages in November showed increases of 1.8 percent in a year for civil servants, 21 percent for farm workers and 11.5 percent for factory workers.

PEANUTS

B.C.

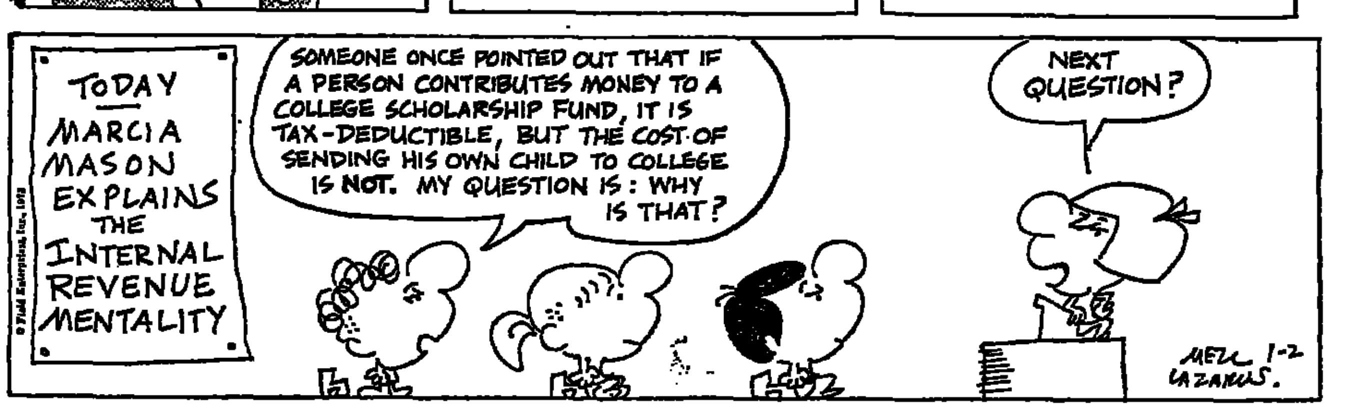


LI'L ABNER



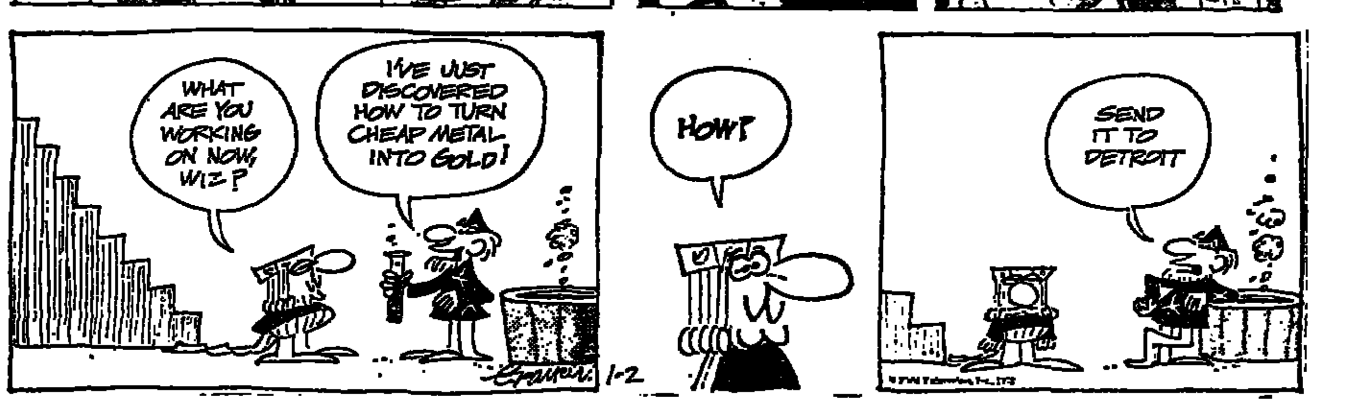
BEETLE BAILEY

MISS PEACH



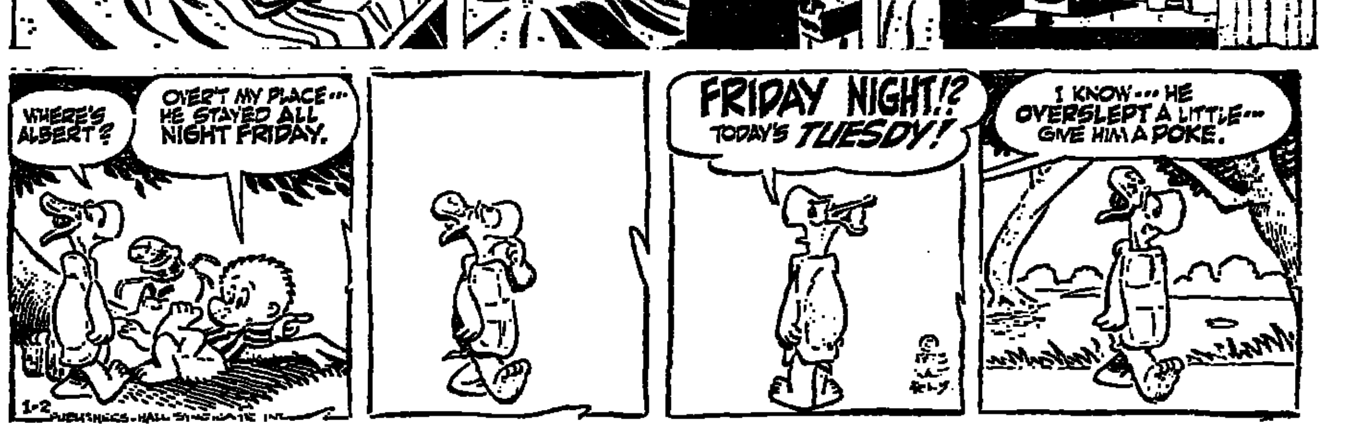
BUZ SAWYER

WIZARD of ID



REX MORGAN M.D.

POGO



RIP KIRBY

BLONDIE

BRIDGE

By Alan Truscott

The pros and cons of preemptive bidding can be argued interminably. Those who prefer a gentle approach on freakish hands claim, correctly up to a point, that they can locate the best contract more easily than the preemptive bidder, especially if a slam is a possibility.

The aggressive characters who bounce the bidding to a high level as quickly as possible can retort that they not only effectively sabotage the opponents' bidding efforts but also add to the problems of the defense, especially in finding the right opening lead.

Both sides can find ammunition on the diagramed deal, on which South might open one club or five clubs. South selected one club.

North responded one heart (some would prefer one diamond) and South jumped to three clubs. North tried three diamonds, which should have produced a three no-trump bid from South to reach an impregnable contract. However, South was not accustomed to playing no-trump with 8-4-1-0 distribution and jumped to five clubs. It seemed likely to him that the dummy would have not more than a doubleton spade, but he was disappointed.

Although South has three top losers in spades, it is far from easy for the defense to take three tricks. West led the spade four, guided by the fact that North-South appeared to be avoiding three no-trump because of a spade weakness.

East won with the spade ace and returned the queen. After some thought, West overtook with the king and returned a spade, allowing East to ruff and defeat the contract. West had spotted a clue that would only apply with expert defenders: He knew that East would have returned a low spade from A Q x, so the overtaking play could do no harm. East must have started with the jack or a doubleton.

Those who would favor an opening five-club bid on the South hand can point out that West would have no clue to the winning opening lead. He would make the normal lead of the diamond king, after which 11 tricks are secure.

NORTH
♠ 932
♡ AQ109
♢ AJ106
♣ 32

WEST
♠ K874
♡ 76542
♢ KQ54
♣ —

EAST
♠ AQ
♡ J83
♢ 98732
♣ 1086

SOUTH (D)
♠ J1065
♡ K
♢ —
♣ AKQJ9754

Both sides were vulnerable. The bidding:

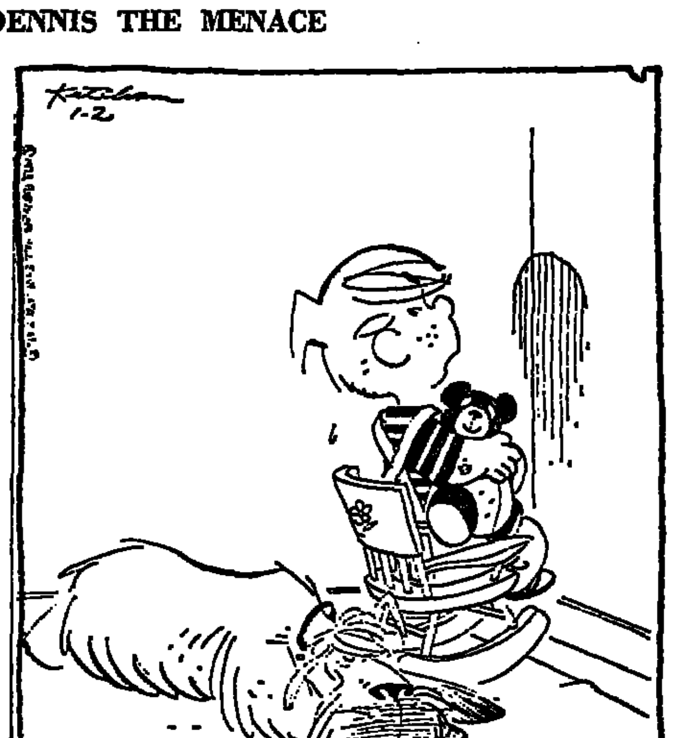
South	West	North	East
1 ♣	Pass	1 ♡	Pass
3 ♣	Pass	3 ♢	Pass
5 ♣	Pass	Pass	Pass

West led the spade four.

Solution to Previous Puzzle

S	P	A	■	■	S	T	R	U	T	■	■	A	S	P
C	A	D	S	■	C	E	A	S	E	■	■	G	O	A
A	I	D	E	■	O	R	G	A	N	■	H	O	L	I
T	R	A	V	E	R	S	E	■	D	R	A	G	O	N
■	■	■	■	E	R	N	E	■	H	E	E	P	■	■
S	L	I	N	G	S	■	F	O	R	E	P	A	R	T
T	I	N	T	S	■	R	A	V	E	■	Y	S	E	R
E	A	S	Y	■	C	O	R	E	D	■	N	I	N	E
A	N	E	T	■	A	B	E	L	■	M	E	A	T	Y
L	A	T	H	E	R	E	D	■	D	O	W	N	E	S
■	■	■	■	R	E	E	D	■	B	O	N	Y	■	■
H	O	T	E	L	S	■	B	A	N	T	E	R	E	D
O	G	R	E	■	S	H	A	K	O	■	A	U	T	O
O	L	E	■	■	E	A	T	E	R	■	R	E	N	O
P	E	T	■	■	D	Y	E	R	S	■	■	D	A	M

DENNIS THE MENACE



"I DON'T LIKE THE WAY THIS YEAR IS STARTIN' OUT."

JUMBLE® — that scrambled word game

By Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

NUCEL

IDLAY

JURNIY

MOOBBA

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print the SURPRISE ANSWER here: AN

(Answers tomorrow)

Yesterday's Jumbles: LILAC THICK BAKERY FAUCET

Answer: There's a catch to this one!—A LATCH

BOOKS

HOW TO READ A BOOK

Revised and updated edition.

By Mortimer J. Adler and Charles Van Doren. Simon & Sch

426 pp. $8.95.

Reviewed by Christopher Lehmann-Haupt

I HAD it in mind to amuse you today. What I was going to do was this. Having never actually read the original (1940) edition of Mortimer J. Adler's "How to Read a Book," but having nonetheless been steeped most of my life in cogent ridicule of its premises, I thought I'd use the occasion of the book's publication in a revised and updated edition to serve up something appropriate to the season's gaiety—something on the order of the parody, "How to Read Two Books," that was written years ago in response to the original version of Dr. Adler's brainchild: and something, too, that would get me revenge for all those glossy mailing pieces proffering the Syntopicon and "Great Books of the Western World," with which Dr. Adler has been cluttering my mailboxes these many years.

And God knows it would be easy enough to do, judging from a reading of both the old edition and the new, the latter having been written with the help of Charles Van Doren, Dr. Adler's associate at the Institute for Philosophical Research, in Chicago. Such ponderous explanations! ("You have a mind... There is a book or other reading matter, and here is your mind. What is the first thing you do?") So many rules and steps to learn! Why, I could take off from the author's analogy of reading to skiing—in which they argue that what is simple and fluid for experts requires painfully complicated baby steps for beginners—and describe how I, a slalom champion when I began to read "How to Read a Book," could scarcely stand up when I had finished.

And as for their term "syntopical reading," which has been incorporated into the new edition as a designation for the highest level of reading (and, not incidentally, as a plug for the Syntopicon, which, in case you've never received any of those mailing pieces, is a topical index of "Great Books of the Western World"): it may be a useful phrase to them, describing the technique for reading "two or more books on the same subject" (from the Greek *syn.*, meaning "with" or "together" and *topos*, meaning "place"); but to me it's a perfectly repulsive term, replete with overtones of gimmickry and pseudoscience; and I'd have gladly spent this column telling you how I have trained myself over the years to think of a Syntopicon as a sort of Brancusi-like figure smelling of old rabbit fur and mothballs, which might be found in a display case on the lower level of Grand Central Terminal.

But, unfortunately for me and the holiday season, this sort of merriment really won't do, because the truth is that "How to Read a Book," especially in its revised form, is both a far better book and a far worse one than I had been led to expect. And all I'd accomplish by making sport of it would be to hide the fact that I can't make up my mind whether to praise it or damn it.

I really can't. If it is true, as Adler and Van Doren claim and as I have no reason to doubt, that the majority of Americans, the majority of those who attended college and gra school, don't know how to beyond the level that is sup to be reached in grade s then how can I ridicule a that is so full of good adv how to surpass this level? can I dismiss a work that plains how to do "Inspec Reading" or *skimming* (that second level of reading), h read analytically (that's third), and how to read paratively (or syntopically, prefer; the fourth level), pecially when it has taken years of intensive practice to the same lessons even fr pletely, and when so many educated people I've talk seem so hungry for advice o to read books more quickly efficiently?

How can I make light of a that not only explodes the s reading myth—that notion an absolute increase in the ber of words one devours glance is the secret to re faster—but also explains h read faster by reading slow a manner of speaking? An the way, the revised edition great improvement over original, in slight part be it's simply updated in its r ences; in large part becau gets away from the inspir cozily *confessional*, and *italicized* tone of the origin.

But, on the other hand, if sume for theory's sake that I mastered the practical a reading, how can I then take ously a book that is so abys retrograde in its appreciati modern fiction (the au criteria of excellence leaves room for any novel written "War and Peace")? How c reconcile the authors' sound fense of "syntopical" rea (against those critics who claimed that all masterp should be treated as univ unto themselves) with the whelming impression one gets in their zeal to promote the g works of the Western world, Adler and Mr. Van Doren canned Western culture, put on it, and belted it into the su market? And finally, how c base a serious commitment reading on the author's altoge trivial argument that the reason for learning to read p erly is to "stretch" the mind make it "grow," as if the were nothing more than a m between one's ears?

Well, I guess my final advi this. If you are at all worr about your ability to find y way around and through book you can't tell the difference tween trash and truth except lip-reading a book one word a time, then read "How to Reac Book." But the moment you s pect you are getting the i drop this book down the incine tor, throw it on the compost he get rid of it; then fumigate premises and start reading as please.

Mr. Lehman-Haupt is a b reviewer for The New York Ti

CROSSWORD

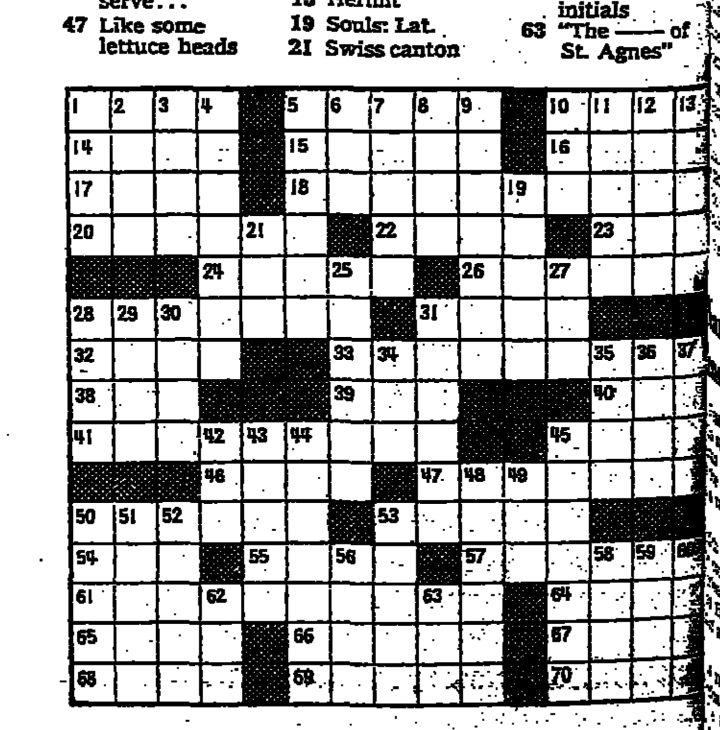
By Will W

ACROSS

1 See 33 Across
5 Disgusted
10 Rizzuto or Foster
14 Sounds of laughter
15 Idolize
16 Pro —— publico
17 "——, I vote"
18 Mad dogs' milieu
20 Violin-string base
22 Berliner's negative
23 Before
24 Summitry topic
26 Hot coal
28 Cleaning fluid
31 Docile
32 Hautboy
33 Part of Peking, with 1 Across
38 Word with hair or fish
39 Copa's city
40 Dutch town
41 Asian wonder, with 45 Down
45 Girl's name in Moscow
46 "—— also serve..."
47 Like some lettuce heads
50 New York city
53 "A Dandy in ——"
54 Recent: Prefix
55 Corrupt
57 "Do unto ——"
61 Some orators
64 News filler
65 B'way group
66 Snow: Sp.
67 "Nobody Knows My ——"
68 Elbe tributary
69 Paris depots
70 Drug plant

DOWN

1 Smart
2 "—— Camera"
3 "They went ——-away"
4 3400-mile river
5 Gambling game in Shanghai
6 Nigerian people
7 Lorna
8 Container, in France
9 Transportation in Orient
10 W.W. II Navy plane
11 Doused
12 Toughen
13 Hermit
19 Souls: Lat.
21 Swiss canton
25 Bear, as expenses
27 Sparks of the movies
28 Big Ben soun
29 Hebrew ancestor
30 Word with mash or key
31 Fishes in a w
34 "—— for the Lamps of Ch
35 Food store, for short
36 "The Razor's ——"
37 Kind of beer or miss
42 Panay native
43 Tossed
44 Spider's acti
45 See 41 Acros
48 Poetic forms
49 Small islet
50 Chou ——
51 M. Bloy and M. Blum
52 —— Cassino
53 Northern tree
56 Dolphin of the Amazon
58 Latin catch-all
59 San ——
60 Duck
62 Civil War initials
63 "The —— of St. Agnes"



Texas Defeats Alabama, 17-13, In Cotton Bowl

DALLAS, Jan. 1 (UPI).—Quarterback Alan Lowry scored on tion runs of 3 and 34 yards in second half today to bring xas from behind and give it 17-13 victory over Alabama in Cotton Bowl.

Lowry's second touchdown run ne with 4:22 left to play.

Randy Braband, who anchored Texas defense, wrapped up victory by stopping Alabama lfback Wilbur Jackson on a urth down and one situation at dfield with two minutes left.

Lowry finished the day with carries for 118 yards. Fullback osevelt Leaks, knocked sense- in the first period, came back run for 125 yards.

Until the second half, Alabama peared on its way to winning first bowl game in five years. Greg Gantt kicked a 50-yard d goal for Alabama in the first arter and Bill Davis kicked a yarder in the second period. mbined with a 31-yard touchn run by Jackson, the field ls gave Alabama a 13-3 halfe lead.

Texas' only first-half points ne on a 24-yard field goal by ly Schott.

But in the second half it was Texas, with the Longhorns t relying on their Wishbone und attack and then, with e expiring, turning to their game.

In the first touchdown drive of the second half, Leaks carried the ball nine times for 37 yards. The drive spanned 59 yards and took more than seven minutes as Lowry scored from the three.

Texas then stopped Alabama when a defensive back, Terry Melancon, intercepted a pass by quarterback Terry Davis.

Melancon also wrestled the ball out of the hands of flanker Wayne Wheeler at the Texas goal line with 7:42 left to begin the winning drive.

On the 80-yard march, Lowry hit Pat Kelly with a 20-yard pass and from his own 42 Lowry threw to tight end Julius Whittier—who caught only four passes all season—for a 16-yard gain.

Two plays later, with the ball on the Alabama 34, Lowry ran a straight option play. Fearing the power of Leaks, the Alabama defense went to the middle of the field and Lowry sprinted around left end behind a block by Rick Davis to go all the way for the score.

The victory broke a two-game losing streak in the Cotton Bowl for Texas, which fell to Notre Dame and Penn State in the last two years. Alabama has not won a bowl game since it defeated Nebraska in the 1967 Sugar Bowl.

Oklahoma on Top, 14-0

By Gordon S. White Jr.

NEW ORLEANS, Jan. 1 (NYT). defensive battle in the 39th ual Sugar Bowl was settled night by a freshman wide iver, Tinker Owens, who ght a touchdown pass and set another score as Oklahoma ated Penn State, 14-0.

The Sooners, ranked second onally, now await the out- e of the Rose Bowl game. Ohio State can defeat South- California, ranked No. 1, ahoma will "scream for that 1 title," according to its coach, ck Fairbanks.

Owens, 17, who stands just er 6 feet tall and weighs 160 nds, was named the game's tanding player and became first freshman to win that r. His brother, Steve, was Heisman Trophy winner in as Oklahoma's star half-

Best Runner Sick

Penn State was forced to play out its leading ground gainer, n Cappelletti, who gained yards in the regular season. was suffering from an attack nfluenza and remained in his l room with a temperature bout 102 degrees.

Penn State counted on Cappelletti all season. He picked up 830 yards more than Walt Addie, the second leading rusher for the Nittany Lions.

Tinker Owens

Early in the game, Oklahoma was not moving well on the wishbone plays that the Sooners like for the wide end sweeps and quick-pitch gainers. Penn State was swarming the sides to contain the attack to the middle.

Oklahoma kept to the middle and on an 11-play drive—mostly running up the alley—the Sooners scored on a pass from Dave Robertson to Owens. The 27-yard play was a pass up the middle that Owens caught at the 4 and ran across.

Rick Fulcher kicked the extra point and Oklahoma led, 7-0, in the second period.

Fourth-Period Play

In the fourth period, Owens hauled in a 17-yard pass to set up fullback Leon Crosswhite's one-yard plunge for Oklahoma's other touchdown.

The score came after safety Gary Hayman fumbled his second punt of the game at Penn State's 33-yard line. Oklahoma took nine plays to go in and run its record to 11-1 for the season. Penn State finished at 10-2.

The Sooners failed to capitalize on two other scoring opportunities caused by Penn State errors.

Crosswhite fumbled on the Penn State six-yard line in the first period after the Sooners pounced on a Penn State fumble at the 15. In the third period, reserve quarterback Kerry Jackson was trying to sneak over from the one but was hit and the ball bounded into the end zone where it was recovered for a touchback.

Another Fumble

The drive was set up when Hayman slipped trying to field an Oklahoma punt, the ball hit him in the back and was recovered for Oklahoma at the Penn State 20.

With just over a minute left, Sooner quarterback Dave Robertson was running at the Penn State two for a certain touchdown but was hit and fumbled the ball into the end zone, where Penn State recovered.

For the fifth-ranked Nittany Lions, it was the first shutout in 68 games.

Newcombe, Mrs. Court Win Tennis Finals in Australia

MELBOURNE, Jan. 1 (Reuters).—Former Wimbledon champion John Newcombe won the Australian Open tennis championship for the first time today, beating Onny Parun of New Zealand, 6-3, 6-7, 7-5, 6-1.

In the women's final, Margaret Court won for the 11th time by beating Evonne Goolagong, 6-4, in an all-Australian match.

Newcombe won the title but Parun, who was seeded 12th, was far from disgraced. He finally wilted under the constant pressure of the Australian's serve-and-volley game.

The difference between the players was Parun's suspect backhand, especially when he was returning Newcombe's powerful and consistent first serves.

Change in Plans

Newcombe concentrated on the backhand from the first and forced Parun into changing his plan of attack to overcome the weakness. Overcoming his backhand troubles put him on the defensive—a fatal mistake against a player of Newcombe's caliber.

In the women's singles final, in which Miss Goolalong has lost for the last three years, Mrs. Court was ruthlessly efficient.

Fault on Service

Miss Goolagong had a chance to even the match one set all when she served for the second set in the ninth game. But she faulted on service and Mrs. Court went on to win the set and match.

Mrs. Court won a second title when she partnered Britain's Virginia Wade in the women's doubles final to beat Australians Kerry Melville and Kerry Harris, 6-4, 6-4.

Smith Is Named Best in Tennis

PARIS, Jan. 1 (Reuters).—The authoritative French sports daily Equipe named Stan Smith of the United States the top tennis player of 1972 in a ranking list published today.

Tennis writer Judith Elian, who included both the contract and independent professionals in one list, put Smith and Ilie Nastase of Romania ahead of all contract players.

Smith earned his ranking for winning at Wimbledon, for being architect of the U.S. Davis Cup success and for winning nine championships, she said.

Clemente: The Player, the Man

From Wire Dispatches

NEW YORK, Jan. 1—When Roberto Clemente collected his 3,000th major league hit last Sept. 30 at Pittsburgh's Three Rivers Stadium, the crowd of 13,117 gave him a standing ovation, and the game was stopped while he was awarded the baseball.

"I give this hit to the fans of Pittsburgh and to the people of Puerto Rico," Clemente said.

The homage to his native Puerto Rico was typical of the 38-year-old Clemente, who was killed late yesterday in the crash of a relief plane bound for Nicaragua.

And the devotion was returned in Puerto Rico where, a few years ago, Clemente was urged by residents of his hometown, Carolina, to run for mayor. He declined, saying that he did not want to enter politics.

But he remained active in public life, as when he set up a committee to gather aid for the victims of the Dec. 23 earthquake in Managua. The committee collected money, food and clothing and Clemente was helping take some of this to Nicaragua when his plane crashed.

18 Big League Seasons

During his 18 seasons with the Pittsburgh Pirates in the National League, he won four batting titles and 13 times hit over .300. Last season, he batted .312 in 102 games and had a lifetime average of .317.

He was the National League's most valuable player in 1966, and was selected to the league's all-star team 12 times.

It was not only at bat that Clemente shone. He ranked as one of the best defensive rightfielders, with an exceptionally strong throwing arm. Five times he led the league in assists for outfielders, to tie a major league record.

Roberto Clemente

Despite his brilliance at bat and in the field, Clemente often felt that he was not given the recognition due him. He made his feelings public following the 1971 World Series, which he dominated.

Pittsburgh took the series, 4-3, from the Baltimore Orioles as Clemente batted .414 with 12 hits (at least one in each of the seven games) in 29 at-bats. He hit two home runs, one in the seventh and decisive game, a 2-1 triumph for the Pirates.

As the Pittsburgh manager, Bill Virdon, said today: "I don't know how you can think of baseball in Pittsburgh without Roberto Clemente."

Virdon's friendship with Clemente dated black to 1956, when the Pirates bought Virdon from the St. Louis Cardinals to play center field. Clemente had been drafted from the Brooklyn Dodger farm system for $4,000 in 1954 and was in right field. The two played together for 10 years before Virdon became a coach for the Pirates and, last year, their manager.

"I don't think there's been anyone better in baseball," Virdon said of Clemente. "He could play every phase of the game excellently. I've never seen anybody that could play the game as he has during the last three years.

'He Was the Greatest'

"He was the greatest all-around baseball player during my era," Virdon said. "He could do more things than anybody I've ever seen. He loved baseball, baseball was his life. He gave much more to baseball than he took away from it no matter how much money he made."

"It was typical" of him, Virdon said about Clemente's mission to Nicaragua. "He made it a point to go entirely out of his way to help others. He was a very warm, friendly, happy and willing person, someone who always was willing to help somebody in need."

Virdon's reaction was echoed by Danny Murtaugh, who managed the Pirates for 11 of Clemente's 18 seasons.

"I've often said he was the greatest ballplayer I have ever seen," Murtaugh said. "I think it was typical of Roberto—a man who gave so much of himself to become an outstanding athlete—to give all of himself in an effort to help others less fortunate than himself.

"It was quite an honor to manage in the major leagues, but it was a double honor to manage a superstar like Roberto—and he was a superstar. He made his mark not only on baseball but on everyone he touched."

Schmidt Takes His Second Title In Ski Jumping

GARMISCH-PARTENKIRCHEN, West Germany, Jan. 1 (AP).—Rainer Schmidt of East Germany won his second successive ski jumping title here today and became the heavy favorite for overall honors in the annual German-Austrian four-hill championship.

Repeating his victory Saturday at Oberstdorf, Schmidt leaped 89.5 and 91.5 meters for 229.1 points on the 90-meter Olympic hill at Garmisch-Partenkirchen.

Dieter Kampf of East Germany was second with two leaps of 89 meters for 222.4 points. Jaromir Lidiak of Czechoslovakia was third with 217.3 points on jumps of 89 and 90 meters.

Two East Germans, Manfred Wolf and Jochen Danneberg, were fourth and fifth, followed by Henry Glass of East Germany and Walter Steiner of Switzerland, who tied for sixth.

The Scoreboard

NORDIC SKI.—In Lake Placid, N.Y., Hideki Nakano of Japan won the annual Nordic combined ski championship with victory in a cross-country race and the top performance in the 70-meter jump. Nakano went 56 and 57.5 meters for a point total of 416.45. Yuji Kapsuro of Japan, took second place in the combined, with 404.30.

RUNNING.—In Sao Paulo, Brazil, Victor Mora of Colombia won the 43rd St. Sylvester round-the-houses race. Competing for the third time, he sprinted away at the end to beat Mario Perez of Mexico by 43 seconds.

NFL Rams Said to Seek Bart Starr as Head Coach

By Dave Brady

WASHINGTON, Jan. 1 (WP).—The Los Angeles Rams have interviewed Bart Starr of the Green Bay Packers as a possible replacement for head coach Tommy Prothro, a reliable league source said yesterday.

Although he has been a quarterback coach for only one season, Starr is being sought for several available pro football head-coach jobs. The St. Louis Cardinals and Philadelphia Eagles also have contacted the quarterback, who played 16 seasons for the Packers.

He is in demand because he was regarded as the late coach Vince Lombardi's alter ego as the Packers won two Super Bowls and five National Football League championships, including a record three straight.

Starr was credited with getting a lot out of second-year quarterback Scott Hunter, of the Packers, for whom Starr called the plays as Green Bay went from a 4-8-2 record in 1971 to 10-4 this season for the Central Division title.

McCafferty Sought

Don McCafferty, former coach of the Baltimore Colts, also is reportedly under consideration by the Rams and by the New Orleans Saints.

He said in Baltimore yesterday. "I have visited a couple clubs but I do not want to name them. I have had a couple other offers."

McCafferty was fired this season after the Colts lost four of their first five games.

When Starr talked to the Eagles, he was interested in becoming head coach and general manager.

He reportedly will not make a statement on his intentions until next week, but if he is insisting on being general manager as well as head coach, there might be an impasse at Los Angeles, where Don Klosterman is general manager, and at St. Louis. The Cardinals already have interviewed Bill McPeak for the general manager's position.

Canada Defeats U.S. in Hockey

BLOOMINGTON, Minn., Jan. 1 (AP).—Canada survived a late U.S. counterattack last night to register a 6-5 victory in the fifth game of the World Cup hockey tournament.

Lanny McDonald and Ed Johnstone each scored two goals for the Canadians, now with a 1-3 record, who dealt the winless Americans their second defeat.

Russia, 2-0, meets the United States tomorrow night in the last game of the tournament. Czechoslovakia finished 2-1.

With a Hyphen, as in Semi-Pro

By Dave Anderson

WASHINGTON, Jan. 1 (NYT).—His name is Herb Mul-Key, with a hyphen, as in semi-pro, which he was a year ago. Maybe you've never heard of him. But he has done what thousands like to think they could do, make it in the National Football League—without any college experience—in a tryout.

He's really the NFL player of the year because nobody else in the league has come as far in 1972—from $25 a game for the West Side Packers in an Atlanta sandlot league to an opportunity for a $25,000 Super Bowl bonanza. And he did it on a team whose coach, George Allen, abhors rookies because of the mistakes they might make.

"The day of the final cut," the 22-year-old Mul-Key recalled, "I was told that the coach wanted to see me, and I thought I was gone, but when I walked in, George Allen said, 'You're a Redskin now.' "

On Reserve Squad

He actually was a member of the seven-man reserve squad. But when Larry Brown was limping three weeks ago, Mul-Key was activated. In the last two games of the season, he ran for 155 yards, scored a touchdown and his kickoff-return average was 29.1 yards. In the Redskins' 16-3 playoff victory over the Green Bay Packers, he returned two kickoffs for 42 and 18 yards. Yesterday he caught two Dallas kickoffs in the end zone, but did not return them. His name isn't a household word yet but its unusual spelling characterizes his determination.

"It used to be Mulkey, without the hyphen," he said, "but I had it changed lately because everybody used to make fun of it. They called me Mercury or Murky or Mushy or Musky, even one of my high school English teachers did that."

He went to Harper High School in Atlanta, where he acknowledges now that his reputation as a "hothead" and "smartmouth" apparently cost him a college football scholarship. He was an all-city schoolboy in Atlanta for two years, but when several colleges showed interest in him after the 1967 season, his high school principal dissuaded them.

Sandlot Games

"My principal told Pepper Rodgers, then the coach at Kansas," he said, "that he was wasting his time even letting me in his school. I realize now that I had the wrong attitude."

Spurned by the colleges, he got a job shipping automobile parts at a Chrysler depot in Atlanta, then he joined the Navy, and after his discharge he worked at his brother-in-law's TV repair shop while running for more than 1,800 yards in 12 sandlot games a year ago. In one he galloped for 270 yards.

"Watching the pros on TV," he said, "I didn't know if I could make it but I always wanted a chance to see if my ability was good enough."

One of his boyhood friends, Harold McLinton, a linebacker for the Redskins, told him about their tryout camp. Out of 625 dreamers in two years, he has been the only one to wake up in a Redskin uniform.

The morning of the tryout, last April 14, he assembled in the Georgetown University gym here with the other dreamers of various ages and abilities.

"Those 300 guys looked like three million," he said, smiling, "and I was wondering how they were going to go about determining a certain guy's talent. I know in high school we had 75 kids and it took three weeks to cut the squad. Here they were going to look at 300 guys in a couple hours."

His speed made a big impression. He ran the 40-yard sprint in 4.5 seconds on a wet field. That day he signed a $12 000 contract, the rookie minimum.

'I Couldn't Eat'

"The contract didn't mean nothing if I didn't get through training camp," he said. "The week before the rookie camp opened, I was so nervous I couldn't eat. I went from 185 to 179 in a couple days. I can lose 10 pounds in two minutes when I worry. I was worrying then, and I worried all through the exhibition games. I'm still worrying, but not as much. I'm up to 180."

Because of his inactive status earlier, he has made only one trip with the Redskins, to Dallas three weeks ago. But when the Redskins go to the Super Bowl, he'll be on their chartered airliner.

"It's more than a dream come true," he said. "Last year I watched the Super Bowl game on TV in a friend of mine's house, but I never even dreamed that I might be playing in the Super Bowl this year. The great thing about this team is that it's an all-together group. Being a rookie doesn't mean I have to take a lot of stuff.

"They've accepted me as a player."

But on the Redskins, he remains a rarity—a rookie among the "Over-the-Hill gang," and even rarer a rookie with a "no-college" notation.

"The other day," he said, laughing, "somebody sent the team bottles of wine for all the players who were over 30, and George Allen said at the meeting, 'I guess the only one who's not eligible for the wine is Herb Mul-Key.' "

Associated Press.

INTO THE END ZONE—Pittsburgh quarterback Terry Bradshaw fumbles into the Miami end zone after Jake Scott hit him hard on a sweep. Steelers recovered for a touchdown.

'Over-the-Hill Gang' Romps to Super Bowl

WASHINGTON, Jan. 1 (NYT).—"Hail to the Redskins" has replaced "Hail to the Chief" as the theme song of the nation's capital.

In a 26-3 victory generated by two touchdown passes from Billy Kilmer to Charley Taylor and four field goals by Curt Knight, the Redskins made it perfectly clear yesterday that they belonged in the Super Bowl game by dethroning the Dallas Cowboys as champions.

And so George Allen, who obtained several aging and castoff players in assembling his "Over-the-Hill Gang" here, will return to Los Angeles, where he was discharged as coach of the Rams two years ago—to oppose the Miami Dolphins in the Super Bowl game Jan. 14.

For the Redskins, the National Conference title in the National Football League is the first in 30 years. They won the 1942 championship here, 14-6, over the Chicago Bears at Griffith Stadium, now gone.

The long wait influenced the emotional outburst at Robert F. Kennedy Stadium by Redskin loyalists among the 53,129 spectators. At the final gun, fireworks exploded as the 125-piece Redskin band struck up "Hail to the Redskins," accompanied by its chorus of 70 and its 40 dancers, as the crowd serenaded Allen's team.

"We've got a bunch of guys people wrote off as too old, too slow and too heavy," Allen said, smiling. "Nobody wanted 'em."

One of those nobody else wanted was Kilmer, the quarterback whom Allen acquired from the New Orleans Saints in his first deal. Taylor, the experienced wide receiver, described Kilmer as a "great picker," meaning his ability to probe a weakness. That weakness on the Cowboys was Charlie Waters, the left cornerback.

"We thought we could go there," Allen said. "I think Kilmer's bomb to Charley Taylor was our big play."

Allen was referring to a long pass in the second quarter in which Taylor outran Waters for a 51-yard gain to the Cowboys' 22-yard line. Not long after that, Taylor eluded Waters on a slant-in pattern to break open for a 15-yard touchdown pass.

Moments after the fourth quarter began, Taylor avoided D. D. Lewis, a Cowboy linebacker, and outran Waters's replacement, Mark Washington, to catch another Kilmer pass at the goal-line for a 45-yard touchdown.

Kilmer, now 32 and in the 11th season of an itinerant and inauspicious career until now, completed 14 of 18 passes for 194 yards, with Taylor catching seven for 148 yards.

Larry Brown, the conference's rushing leader during the season, maintained the Redskins' running attack with 88 yards in 30 carries.

Including the two touchdown passes, Taylor and Roy Jefferson caught nine passes for 165 yards in the area covered by the Cowboys' left cornerback—five for 105 yards against Waters, four for 60 yards against Washington.

Except for one play when Waters was sidelined with a pinched neck nerve, Landry kept him at left cornerback until the third-year defensive back from Clemson broke his left arm while returning a punt.

On the Redskins' next series, Taylor exploited Washington, also a third-year defender, for the clinching touchdown. It provided the Redskins with a 17-3 lead. Then Knight, who had kicked an 18-yard field goal to open the scoring in the second quarter, added field goals of 39, 46 and 45 yards to complete the massacre.

Allen said he would celebrate the victory with his family at a New Year's Eve party.

"And we're going to drink a bottle of Pol Roger" champagne, Allen said. "That's the wine Churchill used to drink, you know. I don't know how old the bottle is, but it's really old."

"An over-the-hill bottle of wine?" somebody wondered.

"Yeah," he smiled. "An over-the-hill bottle of wine."

GAME STATISTICS

Dallas	0	3	0	0—3
Washington	0	10	0	16—26

Wash.—FG Knight, 18.
Wash.—Taylor, 15, pass from Kilmer (Knight kick).
Dal.—FG, Fritsch, 35.
Wash.—Taylor, 45, Pass from Kilmer (Knight kick).
Wash.—FG, Knight, 39.
Wash.—FG, Knight, 46.
Wash.—FG, Knight, 45.

	Dallas	Wash.
First downs	8	16
Rushing yardage	21-96	44-122
Passing yardage	73	194
Return yardage	49	10
Passes	9-21-0	14-18-0
Punts	7-43.1	4-36
Fumbles-lost	1-1	2-1
Penalties-yards	4-30	4-38

Congratulations From a Rooter

WASHINGTON, Jan. 1 (AP).—President Nixon held a victory celebration at the White House today for George Allen, coach of the Washington Redskins.

The President, chatting with Allen and members of his family, made no secret of which team he will root for when the Redskins meet the Miami Dolphins in the Super Bowl on Jan. 14.

The President told Allen he has great respect for the Dolphins' coach, Don Shula, but added:

"I always root for the home team and my home now is Washington."

Dolphins Extend Their Streak By Noticing the Little Things

By William N. Wallace

PITTSBURGH, Jan. 1 (NYT).—The Miami Dolphins pay attention and that is one reason why no one has beaten them yet. Yesterday, their punter, Larry Seiple, noticed that the Pittsburgh Steelers had all turned their backs on him, so he ran rather than kicked.

Many Dolphins knew the Steelers left a door open in their pass defense against a slot formation and so Paul Warfield flew through the door.

Out of these little details the Miami team made two big plays essential to its victory over Pittsburgh, 21-17, in the American Conference championship game.

The outcome sent the Dolphins back to the Super Bowl for the second successive year. They lost last year to the Dallas Cowboys, 24-3.

Yesterday's victory brought Miami's won-lost record to 16-0 this season, an all-time record for pro football, exceeding the 15 straight games won by the Cleveland Browns of the All America Conference in 1948.

A Changing Role

Of Miami's two big plays, coach Don Shula had nothing to do with the first and much to do with the second.

The first was a fake punt and run half the distance of the field by Seiple, who was dragged down at the Pittsburgh 12-yard line in the second quarter. Two plays later the Dolphins had their first touchdown on a nine-yard pass from Earl Morrall to Larry Csonka, which tied the score, 7-7. "That was the play that got us started," Shula said.

He switched quarterbacks for the second half, an audacious move in a championship game, as Morrall was replaced by Bob Griese who "deserved the chance," according to the coach. Griese pulled the trigger on the second big play, the slant-in pass to Warfield for 52 yards in the third period.

Warfield surprisingly was caught from behind by Mike Wagner, a Steeler safety, but at the Pittsburgh 24. Six plays later, Jim Kiick scored the touchdown that put Miami ahead for the first time, 14-10.

Following another touchdown by Kiick, the Dolphins went 11 points ahead in the final quarter and Pittsburgh got seven back on a final score, a 12-yard pass from Terry Bradshaw to Al Young with five minutes left to play. But the Steelers, who had survived on a miracle in their playoff game against Oakland, had none at hand yesterday. Two of Bradshaw's last three passes were intercepted by the Dolphins.

The Dolphins saluted the Steelers. "The best we've played all year," said Jim Langer, the center who had Joe Greene, Pittsburgh's all-pro tackle, playing right over his head most of the afternoon. The Steeler defensive line, with Greene the keystone, finally gave way on Miami's last touchdown drive when Csonka, Mercury Morris and later Kiick ran eight good plays between the tackles.

Second Score

But in the beginning the Dolphins were respectful. Glen Edwards intercepted a pass by Morrall, the only Miami turnover of the afternoon, and the Steelers "marched right down the field," as Shula put it.

Bradshaw ran to the goal line from the three but fumbled and Terry Mullins, a Steeler tackle, recovered the ball in the end zone for the touchdown. It was Mullins's second of the season.

As is expected in playoff games, the defenses held the offenses well below their regular season averages. There were three 1,000-yard runners on the field accustomed to 100-yard games. But none came close as Morris and Pittsburgh's Franco Harris gained 78, and Csonka 68.

Goal by Stapleton Leads Black Hawks to 4-2 Victory

CHICAGO, Jan. 1 (UPI).—Pat Stapleton's 20-foot slapshot through two Buffalo defensemen in the third period and Stan Mikita's insurance shot into an empty goal gave the Chicago Black Hawks a 4-2 National Hockey League victory over the Sabres last night.

Red Wings 4, North Stars 4

Mickey Redmond scored the tying goal off a loose puck in the third period to lift Detroit to a 4-4 tie with Minnesota.

Rangers 6, Blues 1

Jean Ratelle scored three goals and assisted on one as New York trounced St. Louis, 6-1. Rod Gilbert broke a 12-game scoring drought by knocking in a Ratelle rebound in the third period.

NHL Results

Sunday's Games

N.Y. Rangers 6, St. Louis 1 (Ratelle 3, Tracnuk, Sather, Gilbert; Unger).

Minnesota 4, Detroit 4 (Grant, Harris, Goldsworthy, Parise, Dionne 2, Karlander, Redmond).

Chicago 4, Buffalo 2 (Redmont, Pappin, Stapleton, Mikita; Lorentz, Robert).

WHA Results

Sunday's Games

New England 3, New York 0 (Webster, Ahearn, Hurley).

Quebec 8, Ottawa 4 (Gandron 2, Guite, Parizeau, Tremblay, Leclerc, Caron, Gaudette; Sentes 2, Stephanson, Carleton).

Philadelphia 3, Los Angeles 1 (Herriman, McKenzie, Campbell; White).

هكذا من الأصل

Art Buchwald

The Peace Candidate

WASHINGTON.—"The Nobel Peace Prize Committee will come to order. We will now start examining the list of candidates. Who is first, Mr. Secretary?"

"Richard M. Nixon. His name has been submitted by U.S. Senator Hugh Scott."

Buchwald

"We can't have Nixon, not after the bombing attacks he ordered on North Vietnam."

"Au contraire, Mr. President. I think Richard Nixon is a very suitable candidate for the peace prize. He is eliminating the B-52 from the United States's arsenal of weapons."

"How is he doing that?"

"He is having them shot down by the enemy. The United States had only 100 B-52s. So far, 12 have been shot down. At the rate they are going, they will all disappear in three months. What better gesture can one make toward peace?"

"It's out of the question, gentlemen. Nixon has *bombed hospitals* and schools and killed thousands of innocent civilians. We cannot give him the peace prize for this."

"But, wait a minute. Does he not get credit for restraint? After all, he hasn't used atomic weapons against the North Vietnamese. A man who has the hydrogen bomb and *doesn't* use *it against* an enemy should certainly get the prize—or at least an honorable mention."

* * *

"I do not dispute that, but the Nobel Peace Prize has certain stipulations to it, and one is you do not award it to a man who has dropped more bombs on North Vietnam than have been dropped in all of World War II."

"Yes, Mr. President, but we must remember the *only* reason Nixon is bombing the North Vietnamese is to achieve a generation of peace for all mankind. If this bombing were punitive, then I would say scratch him off the list. But Nixon is trying to find peace through bombing and he should be honored for it."

"I object. Nixon has been trying to achieve peace through bombing for four years. It hasn't worked and it will not work. If we award the prize to a man who believes the only solution to peace is destroying the other side, we will be the laughing stock of the world."

"What does the world know? Nixon has said he will stop the bombing any time the North Vietnamese come to the negotiating table and agree to a fair and just settlement of the war. I say a man who talks that way has gone the extra mile."

"But what is a fair and just settlement of the war?"

"That is not for this committee to decide, Mr. President. For years now, we have given the peace prize to people who have done a great deal of talking about peace, but have had no effect on anybody. This time we have a candidate who has done *something* about peace."

* * *

"What has he done?"

"He *has shown everyone* that he is dead serious about peace, even if he has to commit his entire air force and navy to bring it about."

"That's true, Olav. But at the same time, wouldn't it be better to wait until the bombing stops before we give Nixon the peace prize?"

"By then it could be too late, particularly if he hasn't achieved peace in time. Don't you see what a fine gesture it would be if we gave the prize to a man who was working for peace but hadn't quite made it."

"We could be at this all day, gentlemen. Let's go on to the next candidate for the peace prize. Mr. Secretary, what is the second name on the list?"

"Henry Kissinger."

"Oh, boy."

Mrs. Nixon Tops 'Admired Women' Survey in U.S.

By George Gallup

Director, American Institute of Public Opinion

PRINCETON, N.J., Jan. 1.—Mrs. Richard Nixon heads the list of women most admired by the American people, marking the first time she has won top honors since the Nixon administration took office in 1969.

Mrs. Nixon is followed in this year's balloting by Prime Minister Golda Meir of Israel, Prime Minister Indira Gandhi of India and Mrs. Dwight D. Eisenhower.

In last year's survey, Mrs. Nixon was in second place (behind Mrs. Meir), while in 1970 she was second to Mrs. Eisenhower. In the 1969 survey, Mrs. Nixon trailed both Mrs. Eisenhower (who led the list) and Mrs. Meir who was in second place that year.

Mrs. Nixon has figured prominently among the top 10 in nine of the last 13 polls.

Mrs. Dwight D. Eisenhower has the fourth greatest number of votes, while Mrs. Jacqueline Onassis is in fifth place, as she was last year. Mrs. Onassis has been among the top 10 every year since 1960. She won first-place honors each year during the period 1962 through 1966.

Rep. Chisholm Gains

U.S. Rep. Shirley Chisholm is in sixth place, having climbed from 10th position on last year's list.

Mrs. Chisholm is followed in the 1972 balloting by Queen Elizabeth II (seventh place), Sen. Margaret Chase Smith of Maine (eighth), Mrs. Joseph (Rose) Kennedy, (ninth) and Mrs. Martin Luther King (10th).

These annual surveys were started in 1948 and are based on samples designed to represent the views of the entire adult population.

In the latest survey, a total of 1,008 persons 18 years of age and older were interviewed in a survey conducted between Dec. 8 and 11.

Art for Everybody—Too Much of a Good Thing?

By Hedrick Smith

LENINGRAD (NYT).—Like the Prado in Madrid, the Louvre in Paris and the Metropolitan in New York, the renowned Hermitage Museum in Leningrad is bedeviled by overpopularity. And some of its most ardent Soviet admirers are advocating that it sharply raise fees, limit the length of visits or restrict the number of visitors to save itself from the crush of an enthusiastic public.

The 400,000 foreign tourists who stream through its 12 1/2 miles of exhibition halls every year, mostly in summer, are but a fraction of the mass. It is the excursion explosion in the Soviet Union itself, the rising level of education and interest in culture here, that imposes the most critical pressures.

"We twist our minds over this problem," Augusta G. Pobedinskaya, the secretary of the Hermitage, told a Soviet interviewer. "We try to map the routes of the groups so that they will not cross one another's paths, but this helps little. The Italian halls are thronged. People mill about, getting frustrated.

"But I must do justice to our visitors. The cases of damage done to the *exhibits* are *practically nil. About three* years ago, a Greek vase was inadvertently dropped. That's about all I can remember."

With up to 25,000 visitors on peak summer days, the Hermitage is not equipped to provide soft felt slippers for all the people to put over their shoes and thus protect the handsome parquet floors of the museum. (It has only 4,000 pairs of slippers.) But Miss Pobedinskaya said that this problem was only the tip of the iceberg.

"That's a trifle," she said. "The floors can be restored to mint condition. There is more than that: The paintings are suffering—dust, humidity from breath, changes in the air composition, and what not. But we cannot do anything radical. Our work is still being judged by the number of people taken in. We are given a corresponding plan every year. Tourist organizations consider it their first duty to bring to us, full strength, almost every tourist train coming to Leningrad.

"And we ourselves realize perfectly that our situation is very *complicated," she acknowledged. "For decades we have* been proud of the fact that treasures of art are national property, that everyone has easy access to them—always. After this, how can we start talking about restrictions?"

Some scientific specialists and the editors of Literaturnaya Gazeta, the Writers' Union weekly, have taken a different view, warning that without radical measures now the priceless collection of the Hermitage will not be passed undamaged to future generations.

"If we want the masterpieces of art to live through the centuries," warned I. A. Gorin, director of Moscow's All-Union Scientific Laboratory for Conserving and Restoring Artistic Values of Museums, "we cannot allow the Hermitage to become a place of mass recreation and put too much hope on restoration."

Impact on Art Works

He gave a gloomy picture of the impact on art works themselves:

"Practical experience has given us hundreds of examples when as a result of sharp and continuous fluctuations of temperature and humidity caused by an excessive number of visitors, internal tension takes place in the layers of priming, paints and lacquers, which leads to destruction of their intricate interconnections, to disintegration of separate elements of the painting, to oxidizing processes, to cracking of the priming, darkening of color, displacement of layers and irremovable deformities."

A few figures give a glimpse of the dimensions of the problem. About 120,000 people went through the Hermitage in 1913; 3.3 million went through last year, including 35,000 organized tours led by 120 full-time guides. The real crush regularly comes during 100 intense days in summer, when about 1.5 million visitors squeeze through the museum, swarming *especially to the rooms of the classic European painters*—Leonardo, Titian, Rubens and Rembrandt.

The tide of excursionists has engulfed other Soviet sites, too, from the Kremlin to Tolstoy's estate at Yasnaya Polyana and innumerable churches and galleries, testifying to the people's growing appetite for knowledge about their prerevolutionary past. By official count, the number of visitors jumped from 65 million to 100 million in the last five years and will probably hit 200 million by 1980.

Soviet cultural publications get bagsful of mail complaining about the sheer nuisance of museum going, the discourtesy of throngs of inconsiderate and uncultured newcomers, the hopeless overcrowding in coatrooms, the dirt and confusion.

From the Hermitage collection: Rembrandt's "Return of the Prodigal Son," painted around 1665.

For the Hermitage specifically, they have proposed a variety of remedies: from the introduction of stiff entry fees on the scale of theater-ticket prices ($2.50 to $3.50; the present fee is 30 kopecks, or 33 cents) and putting a strict two-hour limit on visits, to subdividing the vast and sprawling Hermitage collection—*which runs from prehistoric artifacts to Picasso* and Matisse paintings—and farming it out to other museums.

But Hermitage officials refuse to take any steps that smack of putting limits on access to high culture. "The easiest method is to shut the doors," observed Vitaly A. Suslov, the first deputy director of the Hermitage, in a recent interview in his elegant gilded office. "But we don't want to do that. We want people to see the art."

"Better organization of the services of the museum," as he put it, is the approach that has been decided upon. Specifically, this has meant diversifying and shortening some of the routes taken by tour groups, installing year-round air-conditioning devices for the main exhibition galleries, opening three extra entrances to the museum in summer so that five are available for the heaviest crush periods, closing off certain halls when tour groups are being taken through and transferring some minor components of the Hermitage collection to other sites in Leningrad.

Some especially valuable works of art, such as paintings by Leonardo, are now kept under glass or in display cases using cloth that absorbs dust. Installation of a huge machine to suck up dirt and dust in the main vestibule is under way, and plans are being drafted for an underground entrance with a complex of shops and coatrooms.

Study Undertaken

The museum, which has 200 people engaged in renovating works of art and the five Hermitage buildings, has begun a sociological study of its visitors to cope better with their tastes, whims and habits. One early discovery, Mr. Suslov said, was that the big flow of Hermitage visitors comes in the morning. On a fairly average summer day, he explained, about 5,000 to 8,000 visitors arrive between 10 a.m. and noon or 1 p.m., whereas only 2,000 to 3,000 come after that.

In general, however, Mr. Suslov minimizes the actual dangers to the art itself. Paradoxically, he said, the humidity brought by visitors helps the Hermitage collection because some rooms are too dry. And in spite of the great crush of summer visitors and the worries of such scientists as Mr. Gorin, Mr. Suslov asserted that none of the major displays required special restoration work afterward.

"Now, without real pain, we can handle 3 million or so, even *3 1/2 million visitors," he said in conclusion. "Maybe in* 10 years, as they say, there will be 10 million who want to come. For us it will already be a real problem when it gets to 4 or 5 million."

PEOPLE: *The Musical Philo[...] Of Frank Sinatra*

"There's room for all of us. The Beatles come to New York and they could very easily *fill up* Shea Stadium or Yankee Stadium for a concert. At the same time, Carnegie Hall, where Artur Rubinstein appears with the New York Philharmonic, would also be full. Every entity of music has its own audience, its own calling. I might not be the Beatles, nor a Rubinstein, but the fact the room was full indicates that the kind of music I make has some followers." The speaker was Frank Sinatra Jr., 28, after a show at the Rainbow Room in New York. His songs included, among others, a medley of tunes his father made famous, and the singer told his audience "You're closer than you think to Frank Sinatra, I'm wearing his tuxedo." Sinatra jr., who likes his name "just fine," is also a composer and arranger and once had his own band. He was studying composition at the University of Southern California when he was offered a job as vocalist with the Tommy Dorsey orchestra. He took it (as his father did once years before) and spent three years on tour with the band. Now with his own act, he says he still spends about 40 weeks on the road and the rest of the time recording, doing TV shows or films.

* * *

Speaking of the Beatles, the British Broadcasting Corp. will launch a 12-week radio history of the Beatles Wednesday with the famous four from Liverpool describing their rise to fame and eventual split-up. Each of the 45-minute episodes will contain an average of 10 Beatles songs, dating from the group's first recording session as unknowns in Hamburg to their individual hits following their breakup two years ago. The series, one of the most ambitious radio programs broadcast on pop music, will be aired at 0030 and 1530 GMT on Wednesdays and at 2030 on Fridays in the BBC world service.

* * *

Actor Edward G. Robinson, 79, is hospitalized for tests at Mount Sinai in Hollywood. A hospital spokesman said Robinson's condition was "satisfactory" and "not an emergency situation" but would not say why the actor was undergoing the tests.

* * *

Another medical bulletin reports that a surgeon in Huesca, Spain, removed more than 30 assorted items from the stomach of a 3-year-old boy. Among the objects removed were olive-sized stones, screws, jewelry beads, fruit pits and coins.

* * *

The Minden, West Germany, city council has granted Karl Georg a lifetime free admission certificate to the municipal swimming pool. Georg, 91, says swimming has kept him in top physical shape.

* * *

Had it not been for a piece of shell, Bobby Melancon might have been listed in international records this coming year, but. . . . At the Louisiana Oyster Festival in Gallino Saturday night, Melancon plopped his 284 pounds in a chair with the intention of setting a world's record in eat[...] oysters. According to the [...] Book of World Records, [...] effort for this venture ca[...] Joe Garcia of Melbour[...] tralia, who ate 480 in 60 [...] in 1955. Four shucker[...] with oyster knives were [...] by Melancon. An officia[...] kept track. Melancon [...] away until oyster No. 23[...] he downed that one, he [...] and clutched his throat. [...] bit of oyster shell had [...] panied No. 232. Since the [...] one emergency method [...] something up once it's d[...] errant oyster hopelessly [...] the counting.

* * *

Princess Muna, 31, divo[...] before Christmas from K[...] sein of Jordan, has taken [...] sons, Princes Abdulla, [...] Feisal, 9, to the United S[...] enroll them in an un[...] prep school in Massachus[...]

* * *

ANOTHER MARRIAGE [...] LEM: Robert Parkins[...] Aurora Melli complain t[...] can't wed, because a [...] judge has ruled that un[...] do, Parkinson will not b[...] ed to see the two childre[...] previous marriage, whic[...] 17 years.

Parkinson said that [...] Miss Melli, who was nam[...] spondent in his forme[...] September divorce suit, h[...] planning to marry "but [...] judge's insisting on it ha[...] that."

"Miss Melli thinks th[...] reason I *want to marry* [...] is just so that I can [...] children," he said.

Miss Melli said: "The [...] order has put me in a [...] where I can't marry Bo[...] condemned me to [...] whether I want to or [...] the first step to another [...]

Miss Melli already [...] daughter by Parkinson, w[...] he would appeal the m[...] else judgment by jurist [...] Wright.

* * *

A Kansas City, Missouri, [...] man was understandably [...] cious when he spotted a [...] with Georgia license plate[...] territory. Patrolman Da[...] stopped the cab, which ca[...] male passenger in a U.S. [...] uniform, and asked the [...] "Can you explain why you [...] to be here?" The driver s[...] fare was stationed at For[...] ning, Georgia, and had agr[...] a $350 rate for the trip [...] Columbus, Georgia, to a d[...] tion in Kansas City. [...] Eber added, "The driver [...] calm, as if this was som[...] that occurred all the time."

* * *

Bangkok police canceled a [...] end beauty contest for f[...] impersonators because of[...] felt the pageant was not i[...] public interest. Contest pro[...] Adisak Malikiao planned to [...] the contestants in bathing [...] parade before a panel of j[...] but police said nothing doi[...] warned that males foun[...] female attire would be ar[...] According to newspaper re[...] the 66 thwarted contestan[...] the pageant demanded retu[...] their $25 entry fees.

INTERNATIONAL
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THE *Financial* CITY OF LONDON

London's Strength

Foreign Banking: There are now 220 foreign banks with offices in London. No other financial center in the world comes near this total. New York is a poor second with around 170. Deposits of London's foreigners total almost £18,000 million. Almost all leading American and Japanese banks have their European headquarters in London. Exceptions are Morgan Guaranty and Chase Manhattan.

British banks have a world-wide network of well over 5,000 branches. London probably handles just under half of all Eurocurrency business and while it does not lead in the issue of Eurobonds provides the main secondary market.

Insurance: Overseas premium income amounts to over £2,000 million a year. In 1971 net invisible earnings of the London insurance market were £381 million—accounting for almost two-thirds of the City of London's overseas earnings. London remains the biggest international insurance market. In reinsurance it is feeling increasing competition from U.S. and Zurich markets.

Stock Market: In terms of the capital value of quoted stock, London is bigger than all the Continental bourses put together. Some 380 foreign companies are quoted in London and over 40 U.S. and Japanese brokerage houses center their European operations on London.

From City of London Monument

A Special Report

And Now... And Now... The Common Market

The Euromarket

By Christopher Fildes

LONDON.—The British genius, remarked in Napoleon Bonaparte's day, is for flying at moments of crisis into a great calm. At that critical and historic moment, New Year's Day 1973, the nation has excelled itself. Loudly brays the Fanfare for Europe: grand opera reverberates in Covent Garden; and someone with sporting instincts in the Foreign Office has laid on, not only a football match of The Six versus The Three, but karate in South London, table tennis in Bolton, Lancashire, and ladies' basketball in the East Midlands. Could official ecstasy go further? And yet the response it has drawn is a display of indifference that rises almost to the sublime.

No doubt the British will believe themselves bound by the European Economic Community's rules when they feel it, and not before. And since Britain has signed the Treaty of Rome while in flagrant and condoned breach of one of its most basic provisions, those who hope to have their cake and eat it are heartened. Who would have credited, a year or even half a year back, that Britain could have entered the community with the pound sterling at a floating rate of exchange? There, if anywhere—so the received wisdom went—was President Pompidou's sticking-point. What was the use to France of bringing into the Community the world's biggest market for imported foodstuffs if the Common Agricultural Policy, geared as it is to fixed rates of exchange, could not pay dividends?

The Treasury is supposed to have brought that one off by blandly offering to fix the sterling parity at $2.25, $2.20, or whatever rate would give the greatest competitive advantage. Such hard-bargaining tactics as these have been welcomed in the British financial community with an enthusiasm which it might have been wiser, as well as more decorous, to conceal.

It is true that British business's doubts over joining the market have owed much to the feeling that (as the textile lobby likes to put it) "We know whose side their Civil Service is on, but we're not so sure of ours." But to take on the experienced professionals on their own ground and at their own game may prove expensive. At least, though, it bears out President de Gaulle's view—which in turn owes something to Groucho Marx—that no club stays quite the same once you accept the British as members.

So a new refinement is lent to what is surely the most favorable irony of the world's monetary order—that the international money and capital markets of the European Economic Community have been largely run from two non-member countries in the currency of a third. Now that the more active of those two non-members has joined, how will the markets differ? That must, in the end turn on how far the member adapts to the club and how far the club to the member.

Adaptation

Quietly and in advance, the member has, in fact, contrived more of an adaptation than he may even realize. What a dexterous stroke of the pen it was that—as though by some afterthought—a mere temporary administrative tidying-up at the time of the floating of the pound reduced the sterling area, for most practical purposes, to the Isle of Man, the Channel Islands, and the Irish Republic! How gently did the budget open the British domestic capital market to EEC borrowers! And how the Bank of England matched the Treasury's neatness in giving European financial institutions the edge over their American rivals when it came to establishing themselves in London! The opening this month by the Deutsche Bank of the first full City branch of any German bank since 1914 is a portent indeed.

And yet Britain substantially remains what it has been throughout the Euromarkets' history—the most conveniently placed offshore island in the world. One day, so the prophetic books declare, there will be freedom of capital movement throughout Europe, and Britain will be "offshore" no longer. Thousands of millions of pounds, poured from London into the bourses of Europe last spring and summer, bet that the prophets were more right than wrong. On that assumption, the opportunity to switch out of the London end Unilever or Shell into the twin stock in Amsterdam on two-thirds of the earnings multiple must have been the best arbitrage deal of the decade. But it will take time to mature, and meanwhile the City is content to

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Foreign Banks

LONDON (IHT).—Britain's entry into the European Economic Community puts Common Market authorities in a better position to insist that London's Eurodollar business be restrained.

This prospect already has some bankers in London worried, particularly those representing banks outside the community who have little direct influence with either British or Common Market officials.

The Common Market's plans for monetary union by 1980 necessarily involve finding an alternative to the dollar. Just what that will be is still a somewhat hazy conception. Nevertheless, progress toward a single Community currency does imply a gradual reduction in the dollar's major role in financing European trade and investment. It also implies a reduction in London's dominant position as a lender of Eurodollars.

So far, the London Eurodollar market has flourished on favorable tax treatment accorded banks, freedom from reserve requirements on Eurodollar lending and a liberal posture taken by the Bank of England as far as foreign exchange transactions are concerned.

Lion's Share

As a result, Eurodollar business done by banks in London has probably come to equal or exceed the amount of sterling business they do. But proportionately foreign banks do much more Eurodollar business than their British counterparts, particularly American, Japanese and Swiss banks with branches in London.

And there are already some indications that British authorities would like to redress the situation somewhat.

For the first time, the Bank of England has made an informal ruling that discriminates against banks from outside the Community. Banks from other Community countries have been allowed, since yesterday, to buy a controlling interest in London accepting houses and other merchant banks, but the central bank states that such authorizations will not be extended to third-country banks.

The Inland Revenue Service has let it be known that it is reconsidering the way it assesses foreign banks in London. Although the matter is still subject to behind-the-scenes lobbying, it now seems likely that authorities will tax foreign banks on the basis of their worldwide operations instead of local operations as they do now. Such a change would be particularly costly for many of the American and other big foreign banks in London.

Fear of Controls

The main concern, however, is that pressure from within the Community will be brought on British authorities to impose controls on Eurodollar operations in the same way pressure was brought on West German authorities to adopt the bardepot, which penalizes direct German corporate borrowing in the Eurodollar market.

"Pressures will be put on the United Kingdom to move toward the more restrictive Continental ways of regulating and controlling financial institutions," says Ellmore C. Patterson, chairman of Morgan Guaranty Trust Co., New York.

Walter Damm, formerly Secretary of the EEC Banking Federation and now a manager of Sal Oppenheim Jr. and Co., Cologne, argues that the Common Market's plans for monetary union will require creation of a common foreign exchange control system for short and long-term capital movements with third countries. "The question is to what extent this system will be considered discriminatory by the outside world, notably the United States," he says.

Questioned on the possibility of additional foreign exchange controls and other forms of regulat-

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Outlook

By Anthony Bambridge

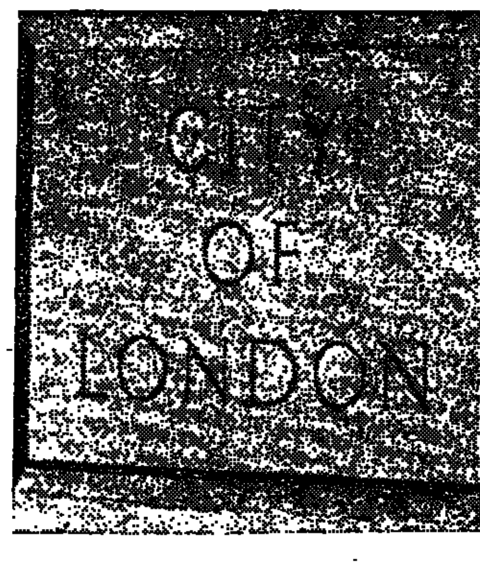
LONDON.—In theory, it's a pushover. London becomes the financial center of the enlarged Common Market. The invisible earnings of the City swell to new mouth-watering proportions. But that is just the theory: the outcome could be very different and a great shock to many of the City fathers.

Mr. John Prideaux, chairman of the National Westminster Bank, reflected the City's optimism when he said: "There is every possibility that the City will not only continue as one of the leading financial centers of the world, but will also develop as the prime financial center of the Common Market."

Behind this view lies a piece of comfortable logic. The Common Market rests on the principle of harmonization or the equality of opportunity. Someone operating in, say, France should have the opportunity to operate on exactly the same basis in Britain. In such conditions business will flow to the financial center that offers the greatest diversity of markets and the greatest flexibility of action.

London certainly meets both conditions. It has an unrivaled store of expertise. the Bank of England has allowed its financial institutions a freedom of action unparalleled on the Continent, and it quite clearly has the best secondary markets in Europe.

By contrast the supposed deficiencies of Europe are all too apparent. Government control is often tight, particularly on insurance companies: the banks dominate the financial scene and as a consequence the secondary markets are poor, above all the stock markets are laughably thin.



The Common Market offers the City of London great prospect for profit, but the City will still need to go and get the business. It will not come to London without persuasion... It means working with, not against, the financial institutions of Europe. It means the formation of joint enterprises...

Two Assumptions

London's accession to Europe's financial throne rests, however, upon two assumptions: that the liberalization of controls on capital movements is just around the corner and that the continentals are so unhappy with their own institutions that they will gratefully turn to those of London. Neither assumption seems likely to prove correct.

Liberalization is, if anything, on the retreat. "It has been replaced" says Walter Damm, one-time secretary to the EEC Banking Federation in Brussels, "by proposals for restrictions and controls within the EEC and against the outside world." The great floods of hot money that forced the deutsche mark to float in 1971 triggered a new period of exchange controls. And now, says Mr. Damm, "The creation of a European capital market remains a rewarding subject only for conference organizers."

Yet London's growth in the last decade has rested on its skill in moving money across frontiers. While London itself was ringed by exchange controls its banks were able to develop a profitable entrepot trade in Eurocurrencies — taking funds from non-residents and lending to other non-residents. This business is reflected in the growth of banking earnings. The dramatic fall-off in 1971 reflects the reimposition of exchange controls in Europe. The fact that London-based banks may no longer lend to companies in France or Italy or Germany clearly limits any ideas London has of financial hegemony in Europe.

Hot Money Fears

Prospects of achieving freedom in capital movements within Europe in the near future are dim. The countries of the Common Market clearly wish to maintain maximum independence in monetary affairs. Each member knows that when capital can flow freely across frontiers economic policies are strictly circumscribed by the level of one's neighbor's interest rates. Get out of line and get flooded by hot money that can play havoc with the money supply and undermine any attempt to control inflation.

There is no evidence that Continental companies are unhappy with their financial institutions.

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Another View

By Joe Rogaly

LONDON.—It is always wise to hesitate before pronouncing any moment "historic." For history can be extremely deceptive: it is rarely possible to guess what she is up to. Yet it does look as if the stage is being set for a new scene against which the Western world can play out its development during the final quarter of this century, and so anyone who wants to mumble the word "historic" about this morning ought to be free to do so.

The confluence of forces is well-known. The European Community of the Six, on this fifteenth birthday of the signing of the Treaty of Rome, becomes the Community of the Nine, with Britain as the most important new member. As a result the new group of Western nations will, as a collectivity, represent one of the most powerful gatherings-together of energy and wealth yet seen upon this globe.

But this is not the only event of the year. The President of the United States, Mr. Richard Nixon, has let it be known that 1973 will be taken up with the discussion of those issues that both unite and divide Western Europe and the United States.

These discussions will come at a time when all the parties concerned must recognize that the American policy of seeking an understanding with both China and the Soviet Union has radically altered the way in which the great issues of defense, trade, and monetary relations are approached. The apparent simplicities of the Cold War era have given way to a situation of great complexity. There is no such thing as a commonly-acknowledged goal for the West, let alone an agreed method of working forwards. Thus it is possible to say that the situation is likely to change, but it is quite impossible to speculate in any honest way about the probable direction of the change.

Differing Views

For a start, a great deal depends upon what happens to Britain as a result of its membership of the new grouping. There are two main views about this. Both are extreme; it may be that for this very reason neither is likely to be proved correct. But any attempt to work out what is going to happen must take these views into account; the difficulty is that the one negates the other.

The first view, which is held by a great many of those who are enthusiastic about British membership of the European communities, is that now, at last, Britain has found its role. Having divested itself of Empire, and recovered from the shrinking pains that inevitably accompanied that difficult process, it is now supposed to be looking forward to developing its energies inside the new, greater, Western Europe—where, as a matter of course, it will again assume its natural position of leadership.

To accept this view it is necessary to believe that the British economy will somehow be revitalized as a result of the removal of barriers between itself and the combined economies of Western Europe. The lower rates of growth of earlier years will, on this analysis, be left behind; the spur of competition, and the opening up of new opportunities to do business on a continental scale will, it is reasoned, unleash vast reserves of British energy and ingenuity, while the natural consequence of this outpouring of economic strength will be an enhanced stature and greater political influence.

The opposite view is as gloomy as the first one is bright. It is that Britain is so crippled by its economic difficulties that the result of giving its European competitors freer access to its domestic markets is likely to be a further decline in Britain's already low rate of growth (despite the recent upswing brought about by the Heath government's expansionary policies) followed by further relative impoverishment of Britain's offshore island.

Need for Faith

Now it does sometimes seem that this pessimistic approach is more likely to be the correct one than the vision produced by the super-optimists of the new Europe. One certainly needs to have a great deal of faith in the possibility of economic miracles to

(Continued on Page 15, Col. 1)

Perspective

By Hamish McRae

LONDON.—Of all the aspects of British entry into the Common Market the one that is causing the City most concern is the question of control. Beside the fear that the City might be forced to become a more restrictive place, controlled by the government under a legal banking code, the various opportunities offered by the EEC look unimpressive. For the City—and in particular the banking sector—is well aware that it has benefitted greatly from its "offshore" status, from the fact that it has been able to operate external accounts in Eurocurrencies without reserve requirements and with remarkably little supervision. This has more than compensated for the strict regulations on the use of sterling.

Question

Are these fears justified? The best place to start is the way in which the City is at present ordered, for it is a remarkable contrast between rigid legal controls (for example on the export of capital) and an informal, and often unwritten, set of rules as to what is and is not "done"—at first sight almost a caricature of the English way of life.

First the rigid regulations: in the main these concern either exchange control or overseas investment. The regulations are laid down by the government but are administered by the Bank of England.

Put crudely, the rules say you cannot do anything: if a company wants to export sterling to build a plant abroad, if it wants to float a Eurobond issue, if it wants to take over a foreign company involving a transfer of funds overseas, in all these cases it has to ask permission from the Bank of England.

Portfolio investment is even more closely regulated. Not only does any currency needed for foreign portfolio investments have to be bought from an investment currency pool (made up of funds from the sales of other portfolio investments) but on each sale of a security 25 percent of the proceeds have to be converted back into sterling.

In practice these regulations are not as fearsome as they might seem, for the Bank of England never ceases to amaze foreign bankers in London by its liberal interpretation of them.

Entry into the EEC brings with it fears of greater restrictions, of tighter regulation, of unyielding rigidity, of closer supervision. Are these fears justified? What is the outlook as Britain loses its 'offshore' status?

The Bank not only tells applicants what they cannot do. It advises them on how to carry out their plans without infringing the regulations. Not only has overseas direct investment hardly suffered, portfolio investment has thrived thanks to a device known as the "back to back" loan, where sterling funds are used as security for foreign currency borrowings. This foreign currency can be placed in an offshore fund and used for overseas investment without any restrictions on sterling overseas investment. In short, the liberal way in which the Bank runs exchange control offsets its most onerous burdens.

The second area of control—that concerning the banks' Eurocurrency activities—is in sharp contrast. Here no laws exist saying what banks can and cannot do. Instead the Bank of England has leant over backwards to permit any reputable bank to carry out international banking from London. The Bank runs an unofficial appointments register placing retired English bankers in key positions in the foreign banks setting up London branches to make sure they know all the rules of exchange control. But the Bank does not interfere in how they actually run their business, and it excludes foreign currency business from the credit controls on use of sterling.

There is a link between this free-booting, offshore aspect of London's banking business and the rigid system of exchange control: it is only because British firms are not able to avoid British credit controls by borrowing in foreign currency, that the authorities can permit foreign currency lending of London banks to go unchecked.

Special Aspect

The U.K. authorities' system of domestic credit control, which was radically reformed in the autumn of 1971, can be left aside, partly because no one yet knows whether it is going to work, and partly because in its general form (a system of reserve requirements plus deposits with the Bank of England) it is fairly similar to that of other European countries. But what of the aspect of the Bank of England's work that is quite unique: that of a policeman, controlling both the structure of the City (which financial institutions can merge with and its ethics (under what circumstances, for example, can the directors of a company support their own share price).

In these areas the Bank of England differs from other central banks in that as well as enforcing the rules (which in many cases are voluntary anyway) it also frames them.

Odd confusions arise. Late last year (1972) it published guidelines as to take-overs and mergers between U.K. and foreign banks. These stated that clearing banks and EEC banks would in future be allowed to take more than 25 percent interests in leading merchant banks and that EEC banks could take more than 15 percent interests in British overseas banks. The purpose of the document was to allow the British banking system to move toward the Continental pattern and to set EEC banks on the same footing as British banks. But the most immediately interesting thing it revealed was the fact that such restrictions had existed before. The Bank had never admitted that they did and there is a lengthy list of exceptions. One clearing bank, Midland, owned 33 1/3 percent in a leading merchant bank, Samuel Montagu; a foreign bank, Morgan Guaranty, of New York, owned 33 1/3 percent of Morgan Grenfell, and First National City Bank, also of New York, owned 40 percent of an overseas bank, National and Grindlays. The joke was that the rules were more honored in the breach than in the observance. The reality was that the Bank of England had never sat down and thought

(Continued on Page 16, Col. 6)

Outlook for Business

By James Poole

LONDON. — Two weeks before the British government signed the Treaty of Rome, the newly appointed British Minister for Trade and Industry, Peter Walker, was heard bewailing the sloth and inefficiency of British Industry because of its indifference to the EEC. "*It is incredible*," *he said*, "how complacent and apathetic a large number of British companies have been. There are hundreds who have done nothing to prepare for the opportunities of Europe."

The same day a quick survey of the news media representing Community opinion on the other side of the Channel would have told a very different story. In France they were talking about "a new Waterloo," as the invasion of British companies buying up French businesses continued, unabated even by French government opposition. The French business magazine Enterprise calculates that the British have already spent over 1 billion francs in France this year, 30 percent of the net value of all British investment in France up to December, 1971.

In Germany the stockmarket was rocketing over the activities of Jim Slater, now doyen of the whiz-kid investment bankers of the City of London. "Die Briten kommen," thundered the German financial press, over stories with the serious message that the British will be by far the biggest foreign investors in the Federal Republic this year.

Holland is anxiously watching the effects of an unprecedented takeover boom. In the first nine months of 1972, 48 companies fell to the Anglo-Saxons compared to only 67 in the whole of the preceding seven years. While in widely separated Italy and Belgium, governments are gratefully counting the pounds sterling that have floated their way in a surge of British direct investment this year.

Who Is Right?

Who is right? Are the phlegmatic British industrialists as ill-prepared as they make themselves out to be, or are Continental neuroses justified? The answer is probably a bit of both. Going into the EEC will not affect Britain's immediate trading prospects all *that much. But in catching up on* 15 lost years of the great European experiment British entrepreneurs are going to be aggressive and in a hurry.

It will all take time, and progress may be imperceptibly slow but the expanded Common Market will turn the British corporate way of life upside down. There are new perspectives facing management and workers and the professions. And the politicians, nervously trying to guess which sectors will emerge winners and which losers, are certain to be in for some big surprises.

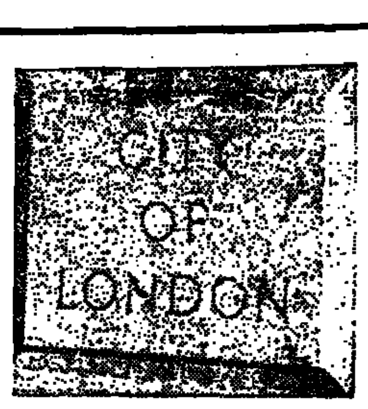
Already some 25 percent of British exports go to the new European *bloc and the scope for* further increase is limited by the expected losses in trade with other parts of the world. But by and large industrialists in Great Britain are optimistic about the trading future. The opinion surveys of the Association of British Chambers of Commerce have been reporting that optimism among exporters was increasing the closer the U.K. gets to entry.

As one U.K. managing director, Peter Hoskins of the Haddon *Group*, puts it: "*If I were a European manufacturer I am not sure that I would be wildly excited over the opportunity to add 50 million customers to a market which already tops 200 million; but as a British manufacturer I am very excited indeed about the reverse operation.*"

But Peter Walker should know if, as he says, there are hundreds of British companies distinctly less euphoric. They argue that the benefits of the EEC tarrif cuts, which reduce to zero gradually by 1977, are rather less than the GATT tariff reductions of the past few years. And British export prices over the five-year EEC program will not gain as much as the advantage won in months by the recent downward float of the pound sterling.

Few Plans

Against this background it is less suprising that no less than 30 percent of the manufacturing companies recently polled by the magazine Engineer on their plans for the expanded Common Market said that they were not doing anything at all. It is reminiscent of the cool attitude that UK industry had towards EFTA, where it is widely agreed that Britain did less well than might have been expected. Similarly with preparations for the expanded EEC it is not the traditional manufacturing industries in the



Are the phlegmatic British industrialists as ill prepared as they make themselves out to be, or are Continental neuroses justified? The answer is probably a bit of both.

UK that have been conspicuously active in Europe. Instead it is the consumer based industires, particularly food companies, where it might be expected that national tastes limited the commonness of the Common Market. These have *been most representative of the* rush into Continental Europe.

The pace of the rush by Anglo-Saxon food, beer, catering and even bootpolish companies to establish Continental bridgeheads has been astonishing. Most spectacular has been the creation of an Anglo-French food manufacturing and retailing giant by Jimmy Goldsmith. His Cavenham Foods is now the third or fourth largest food group in Europe after Nestlé and Unilever, and results from a breathtaking series of acquisitions, largely in the past eighteen months. Equally adventurous, but as yet less spectacular to the public eye, is the trans*formation of the UK's domestic* street corner caterers Joe Lyons into a world-wide manufactured food operation which expects to get a half of its turnover from Europe by 1975.

This takeover invasion of which these are part is already being labeled "Le Défi Anglais" in Continental Europe. The aggressive acquisition of one company by another is one of the most feared aspects of Anglo-Saxon business practice. Inside the present EEC *defensive restrictions* against takeover raids are generally formidable, both through governmental fiat and local financial opposition.

In the presence of a direct threat Continental companies and their bankers generally close ranks. The recent wedding of BSN and Gervais Danone in France, to create the largest food company in the country, was at least partly defensive. Gervais had been the subject of Bourse *rumors of an impending* takeover threat, particularly from Jimmy Goldsmith's Cavenham Foods, for months past.

Despite opposition, 1972 was the year when the British broke over the barriers and it became respectable to sell out to the invaders. And it is not just the big corporations that were moving in. Provisions in the last UK budget allow direct investment projects overseas, worth less than £1 million each, to be financed outside *the normal UK exchange control* regulations. This has allowed small companies to invest in Continental subsidiary operations and accelerated the move by British entrepreneurs set on rationalizing fragmented European industries. An example of such rationalization was the purchase by the largest chain of butcher shops in the UK recently, of a chain of four butcher shops in Paris, the largest firm in the French *business*.

Inside Britain itself the takeover activities of a few companies overseas are seen as small beer compared to the merger frenzy among British companies themselves. The mergers started partly with the excuse that it was necessary to rationalize British industry into Common Market sized units. For a time this became government policy.

Boom Unabated

The failure last *summer* of the largest merger ever proposed in the UK—the creation of a large UK pharmaceutical giant out of two medium-sized specialists, Beecham and Glaxo, which was stopped by a maverick decision of the official Monopolies Commission, quietly killed this idea. The takeover boom went on regardless. If was not British companies building up their international strength. It was UK-based international companies rushing to buy up *domestic interests for* purely tax anomaly reasons.

Surprisingly there has been little reverse flow by Continental companies taking advantage of the free-for-all company acquisition game in the UK. Continental businessmen are stepping up their interest in the British Isles but generally they are as pusillanimous as Peter Walker says the British are about the Continent. A few companies such as the German AEG or the French Moulinex will be building up their sales of domestic goods to the British housewife. But by and large there are almost no indications of any impending attack on the UK market by Continental companies.

This makes all attempts at predicting which industries will emerge *as* winners and which will lose from the enlargement of the Common Market, a highly academic exercise. The latest Department of Trade and Industry secret report on how British Industry will fare inside the EEC is widely believed to have come to the conclusion that the greatest percentage gainer from UK entry will be the makers of vacuum flasks.

Such hilarious conclusions are drawn largely from past import-export statistics. The relevance of these is extremely doubtful. For example the DTI concludes that the UK petrochemical industry is rather well placed *after* entry of the UK into the EEC.

What the statistics hide is the differences in the markets—higher chemical prices in the UK for example and transport economics —that make the UK industry quite fearful about the effects of foreign competition. Another big industrial sector similarly disadvantaged is the nationalized steel industry, but it would be hazardous to try to predict what will actually happen over the next few years to such an obviously key industrial sector.

There are few obvious losers. The candidates most frequently proposed are British footwear and horticulture faced by cheap imports from the Mediterranean countries.

In other cases the market in the British Isles has already altered as preparation for the EEC progressed. Foreign cars have rocketed from nowhere to a significant percentage of the UK market over the past two years. Whether or not this will permanently hurt British Leyland depends on the success of the latter's ambitions in Europe which in*volve selling 500,000 cars on the* Continent, more than half locally assembled by 1975.

Motor Vehicles

Cars are typical of products which are becoming more international. In the wake of this, the *component supplying industries* are also having to become more international in outlook. The UK motor components group Lucas, for example, earlier this year warned continental competitors that if they were to get a share to gain relatively little from the have to attack their markets. Similarly with the truck industry.

The impediments to a more Common Market are still severe for many industries. The lack of common public purchasing means that construction and heavy electrical equipment firms stand to gaain relatively little from the EEC. Britain inside the Common Market will be much more attractive to foreign companies seeking to establish a foothold in the Community.

The UK government has said that it will try to attract such foreign capital. Ford has already announced a record two-year £135 million investment program in the UK only a year after Henry Ford II castigated his British labor force and the ef[...] ciency of his British compa[...] Others will follow.

Eire seems set to attract ma[...] of the Japanese firms hoping [...] set up manufacturing bases [...] Europe.

This will lead to greater co[...] petition in the UK but the B[...] tish businessman seems not to [...] worried by the prospect. Nor d[...] he care that foreign businessm[...] operate in Britain. This has lit[...] to do with the famed old b[...] net; most industries are n[...] dominated by the profession[...] the business school graduate, [...] international careerist. Few [...] dustrialists combine as the [...] British insurance companies [...] sometime over the *last* two yea[...] to warn off City thruster J[...] Slater from taking one of th[...] over. The old boy net of Con[...] nental bankers is far more form[...] dable. So it was the more symb[...] lic that one of their numb[...] (Dr. Wutke of Deutsche Ba[...] joined the board of the reco[...] stituted bankrupt Rolls-Royce[...]

Only one aspect the E[...] seems to worry the British bu[...] nesmen—the red tape, the like[...] which is unknown inside the U[...] *The City* is particularly worr[...] that its free form style of fina[...] cial dealing would be proscrib[...] by the normal banking ru[...] found on the Continent.

Industrialists are already awa[...] of the king of the UK econo[...] Market rules. The anticartel p[...] icy has already led to the fini[...] of the king of the UK econo[...] ICI, and has split up the ea[...] world-sharing agreement b[...] tween the two giants of the U[...] tobacco industry, Imperial T[...] bacco and BAT.

The professionals: accountan[...] lawyers and company secretar[...] have yet to publicly ackn[...] way corporate legislation is m[...] ing in the EEC. *Trade unions* steadfastly ignoring the ma[...] have yet to publically ackn[...] ledge that the EEC will profou[...] ly after workers' organizatio[...] Workers' representation on [...] boards of all companies is as p[...] foundly strange to the Brit[...] worker as it is to the Brit[...] manager. But *as the workers* [...] Dunlop have already discover[...] they have a community of in[...] rest with their associates in [...] relli.

So finally British Business[...] prepared for the Common Ma[...] ket. Not quite in the way Pet[...] Walker intends perhaps. But [...] *such* essentially Common Mark[...] activities as lobbying, the B[...] tish have learned during [...] course of the current negotiatio[...] —on heavy lorries and sugar[...] look after their own interests.

And on investment the UK I[...] dustrialist has been no laggar[...] It is not suprising to Englishme[...] that British companies have i[...] vested twice as much in Ita[...] one of the original EEC six, [...] economically stronger fello[...] member Germany, in the perio[...] since the idea of Europe and Fre[...] Trade got inderway in 1956.

Mr. Poole is foreign editor fo[...] business news in the Sunda[...] Times.

Foreign Banks

(Continued from Page 13)

ing the Eurodollar market, British authorities tend to dismiss the subject as more theoretical than real.

"The Common Market's plans for monetary union do seem a bit overoptimistic," says one British official who specializes in Eurodollar operations. "I don't think anyone needs to get very concerned for a long time to come."

Alarm in EEC

But aside from the Community's plans for monetary unity, the rapid growth of the Eurodollar market itself appears to be causing alarm among Common Market officials. This development could increase pressure for controls.

Defined approximately as dollar deposits originally lent outside the United States, the Eurodollar market increased by about \$12,000 million to \$66,000 milllion in the six months ended June, according to estimates of the Bank for International Settlements in Basel. The rate of increase appears to have slowed down in the second half of this year, but Bank of England statistics suggest that the rate of expansion for the year as a whole could be about 33 percent.

"Under these conditions one could quickly be confronted with the need to defend official reserves and exchange rate parities against unwanted conversions of Eurodollars," says Rinaldo Orsola, deputy governor of the Banca d'Italia. He adds that controls may be necessary to prevent another monetary crisis.

With the possibility of controls in mind, the British Bankers Association recently broadened its membership to include all banks in London so it could effectively represent Britain's entire banking industry in Brussels. Previously the Association's membership was confined mostly to British deposit banks and excluded merchant banks and discount houses as well as foreign banks.

But in broadening its membership, the association stipulated that foreign banks could have only associate membership and presumably a lesser influence in whatever lobbying takes place in Brussels.

Although they have junior status in the association, foreign banks do seem to account for a large portion of London's banking business. For example, statistics in the Bank of England's quarterly bulletin for December show that deposits of American banks in London totaled 16,353 million pounds on Oct. 18, compared with deposits of 15,301 million pounds on the same date for London clearing banks, which include the four largest British banks.

The American banks, of course, were doing mostly Eurocurrency business with total foreign currency deposits equivalent to 13,890 million pounds and sterling deposits of 2,463 million pounds. In contrast, foreign currency deposits of the clearing ban[...] totaled 1,096 million pounds an[...] sterling deposits 14,205 millio[...] pounds.

To be sure, the figures only gi[...] an approximate view since th[...] clearing banks have subsidiari[...] specializing in Eurocurrency bu[...] ness listed under other categori[...] In addition, many American ban[...] are listed under other heading[...]

Twelve Japanese banks a[...] among 41 banks listed as oth[...] overseas banks. Interesting[...] deposits in this category almo[...] doubled in the 12 months end[...] Oct. 18 to 3,190 million poun[...] The fast expansion considera[...] narrowed the gap with Londo[...] 17 old-line accepting house ban[...] which had deposits of 4,133 mi[...] lion pounds on Oct. 18.

Overall, foreign currency dep[...] sits of both British and forei[...] banks in London totaled t[...] equivalent of 32,086 million pou[...] on Oct. 18. This was more th[...] the banking system's sterling d[...] posits, which totaled 29,296 mi[...] lion pounds.

The Outlook

London's accession to Europe's financial throne rests on two assumptions: that the liberalization of controls on capital movements is just around the corner and that the Continentals are so unhappy with their own institutions that they will gratefully turn to those of London.

Neither assumption seems likely to prove correct.

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... accept that London ... greater flexibility, but are ... to answer "so what." If ... they will point out that London may boast of its ... at "oiling the wheels of ..." Britain's economic ... hardly reflects that ex... having lagged badly be... that of continental rivals. ... add that the bulk of Brit... industry is financed from ... ed-back profits anyway and ... aris and Frankfurt actually ... more private capital than ...

No Cornucopia

...inental companies are not convinced that a public ... ion on London or any exchange offers a cornu... of advantages. Their ... ement tends to put more ... on technical prowess than ... ial wizardry. The tradi... pattern of European fi... is for the company to rely ... on loan capital and bank ... ing and for the family and ... to hold the small equity. Takeovers are usually mat... be arranged by the banks ... fight in public is frowned ... The recent merger between ... is-Souchon-Neuvesel and ... is-Danone was largely ar... by the state-owned ... Nationale de Paris. Some ... ago, full of American-style BSN attempted to take ... St. Gobain, the glass giant, ... the latter's will. The es... ment closed ranks, the bid ... and BSN learned its lesson.

...one who believes that Lon... will become the New York ... rope must explain why Eu... companies should abandon ... ods they find perfectly satis... ry.

... are they likely to clamor ... the services of British banks. European banks suit their ... better and it seems probable that in the years ahead British banks will develop on European lines rather than the reverse.

Two Differences

There are two main differences between Continental and British banks. The Europeans offer a wider range of services and are *major shareholders in most of* their clients. In Britain the same range of services are often split between a number of institutions, the banks are less involved with industry and would hold the shares of clients only with reluctance. This reluctance springs from memories of the 1930s when the collapse of the Credit Anstalt left British banking unscathed while Continental banks collapsed like ninepins as industrial customers became illiquid. However what may have been a matter of strength then could today be a weakness.

The "universal" banking offered on the Continent sprang from competition for deposits between the private banks and their publicly owned rivals. The private *sector* responded with a series of mergers that increased their branch networks and the services they could offer. The result is that on the Continent the general banks and the savings banks now offer services that were once the preserve of the exclusive private bank.

Banque Rothschild has been forced to open branches to improve its deposit base. In London the Rothschilds have turned their back on such notions, convinced that their future continues to rest in brain power, not more deposits.

Different View

Not all of London's merchant banks take the same view. Hill Samuel tried unsuccessfully to take over MEPC, one of Britain's largest property companies, and is now thought to be contemplating a merger with one of the giant clearing banks. Hill Samuel's chairman, Sir Kenneth Keith, is one of the few London bankers to question the optimism over entry into the Common Market. He said recently: "I do not think we can expect a substantial upturn in earnings, immediately upon and directly as a result of EEC entry."

In December merchant bankers Guinness Mahon merged with the merchanting house of Lewis and Peat. Keyser Ullmann, the bank run by the ex-chairman of the Tory party Edward du Cann, has merged with a major property company. Insurance brokers C. T. Bowring have taken over merchant bankers Singer and Friedlander. These are the first signs of a movement that is bound to gather pace.

Re-Examination

Lord Rothschild's Central Policy Review Staff, better known as Mr. Heath's Think Tank, has asked the high-powered Inter-Bank Research Organisation to look at the future of the City of London, and in particular at its relations with the Common Market.

In a paper on "The Structure of British Financial Institutions in the 1980s," James Robertson, head of the research organization, said: "As the British clearing banks, merchant banks and stockbroking firms come into keener competition (and also closer co-operation) with German all-purpose banks, they may be compelled to consider whether the structural differences between them are still commercially advantageous." In other words, while London may have superb secondary markets, the structure of its primary institutions is lagging behind that of the Continent.

Yet London is all too quick to assume that its Stock Exchange will grow in importance as grateful European companies turn to it for the "advantages" of a share quotation. In discussing the "Stock Exchange's Role in Europe" recently, Sir Martin Wilkinson, chairman of the London Stock Exchange, explained that we were entering Europe from a position of strength. The assumption is that the direct involvement of Continental banks in the affairs of their customers reflects the inadequacy of local capital markets. No one, least of all the London Stock Exchange, stops to wonder if the opposite might not be true—that the involvement of European banks in European industry makes a large equity market on the lines of London unnecessary.

The Base

There have been two reports on the future of Europe's capital market, the Segré Report of 1966 and an OECD study of the following year. Both recommended liberalization and the development of markets on the lines of London. Freedom and flexibility are principles much to be desired, provided, that is, they don't ignore reality. London's very technical superiority may work against it; within the Community matters are more likely to follow the interests of the majority than ideals hammered out in Brussels or Paris. Why should Europe's financial institutions favor directives that follow British practice if such practices seem harmful to their own self-interests?

From now on Britain will argue her case in Brussels as each new directive comes forward. Britain's institutions, its accounting and tax law have developed very differently to those of Europe. It is hard to imagine that harmonization will be to British standards. It is Britain that is adopting VAT, not Europe adopting the superior purchase tax system.

The unavoidable fact is that, with the exception of property development, Britain's financial penetration of Europe is small. It is estimated that of the City of London's gross overseas earnings only 12 percent come from Europe. The net figure is worse. In 1969—the last time that a figure was calculated—the City had a net deficit of £75 million with the six EEC countries. That sort of penetration hardly suggests that Britain has much of a base to build on.

Not Rosy

London will not take Europe by storm. Charles Villers, ex-head of the Labor government's Industrial Reorganisation Corporation and now chairman of Guinness Mahon, says: "I cannot pretend that, as things are, the prospects for the City in Europe are rosy." None the less the opportunities will exist and one suspects that the real growth will be among those cross-frontier banking groups that have sprung up in the last few years. At the moment there are four main groupings: Orion, which includes the Chase Manhattan, Royal Bank of Canada, Westdeutsche Landesbank Girozentrale, National Westminster and the Credito Italiano; SFE, whose main members are Barclays, Banca Nazionale del Lavoro, Banque Nationale de Paris, Dresdner Bank and the Banque de Bruxelles; CCB, which consists of the Crédit Lyonnais, Commerzbank and the Banco di Roma; and finally EBIC, which includes the Midland, Amsterdam-Rotterdam, Deutsche Bank, Société Générale, and Creditanstalt Bankverein.

The Common Market offers the City of London great prospect for profit, but the City will still need to go and get the business. It will not come to London without persuasion. This means moving slowly and quietly, not trumpeting the superiority of London to every European who will listen. It means working with, not against, the financial institutions of Europe. It means the formation of joint enterprises that combine the skills and experience of the different financial centers.

Mr. Bambrige is business editor of the Observer.

What the City of London Earns*

(£ millions)	1965	1966	1967	1968	1969	1970	1971
Insurance							
Companies	46	66	78	90	111	111	137
Lloyds	14	20	45	74	105	156	189
Brokers	21	23	27	36	42	50	55
Total Insurance	81	109	150	200	258	317	381
Banking							
Credits	114	122	127	182	236	240	201
Debits	82	100	98	111	119	135	148
Net Banking Earnings	32	22	29	71	117	105	53
Investment Trusts	29	30	30	35	34	35	35
Unit Trusts	1	2	2	2	3	4	5
Pension Funds	5	5	5	5	5	6	7
Merchanting**	30-35	30-35	30-35	35-40	40-45	40-45	45-50
Brokerage, etc.	28	29	35	51	60	74	49
of which:							
Baltic Exchange	19	n.a.	n.a.	n.a.	33	47	24
Stock Exchange	n.a.	3	4	9	9	9	10
Lloyd's Register of Shipping‡	n.a.	n.a.	n.a.	3	4	5	6
City of London†	210	230	286	404	522	586	550

* Source: Derived from sources in the City of London and U.K. Balance of Payments 1971 (The Pink Book), H.M.S.O.

** Profits on third country trade and on re-exports; this category includes the earnings of the commodity markets.

† U.K. Financial Institutions, to the nearest £5 million (including an allowance for the earnings of the Stock Exchange and Lloyd's Register of Shipping in those years for which separate estimates of these are not available and 'other brokerage' earnings).

‡ Figures are from mid-year to mid-year and are therefore not strictly comparable with annual figures elsewhere.

Another View

Continued from Page 13)

in the notion that present-... Britain is somehow about to ... transformed into a rapid-... th country like West Germany or Japan.

... there are convincing-sound... arguments in favour of both ... As has been said, the sick ... sh economy can be compared ... patient with a cold. Throw ... the window—enter the EEC ... the patient might be cured ... might die of pneumonia.

It is not really possible to be certain which. Economic forecasting is the most hazardous kind of fortune-telling, and in this instance what is required is nothing less than foreknowledge of the future attitudes to work and industry of an entire nation. In short, the economic consequences of Britain's entry into the European Common Market must remain anybody's guess.

For those who wish to analyze the likely political consequences of the decision, this is awkward, since Britain's political status within the enlarged community will to a large extent depend upon what happens to its economy. The present prime minister, Mr. Heath, harbors grandiose thoughts about Europe, and Britain's place among its leaders, and as a result he may well try a *Gaullist* policy of stubbornness and bluff in an effort to insure that Britain's voice is heard with due respect. But in the long run the amount of respect that the other nations regard as due will depend upon what happens to the economy: if Britain seems to be sliding downwards towards becoming the poor man of Europe then, naturally, it will be treated as such.

The political consequences of this could be profound. The Europe *of the Six* was effectively led by the West Germans and the French, with the Germans anxious to please and thus willing to compromise, and the French anxious to assert themselves, and thus unwilling to budge. It was an unsatisfactory duopoly; it is hardly surprising that many people have hoped for better things from the emergence of the troika—France-Germany-Britain—that might be expected to be the result of Britain's membership. It could work out that way, but not for very long if the British economy fails to pick up.

This formula of "it all depends," unsatisfactory though it may be, is inescapably attached to all the great questions that follow from this (possibly) historic morning. There is probably a greater degree of consensus among the Western nations on the policy of rapprochement with the Soviet Union than on anything else, but so far Britain has turned out to be tough and individualistic in its attitude to the talks on mutual force reductions. The degree to which this matters in future talks will depend upon Britain's strength.

Talks

It is the same with the whole range of vexed questions to do with relations between Western Europe and the United States. A great deal of talking is scheduled for this year, on the future of NATO, on the size of the American military presence in Western Europe, on trade across the Atlantic, on the world monetary system, and, if President Pompidou has his way, on the overall view of the manner in which the community of all Western nations should now proceed.

None of these talks will be easy. There is no immediately pressing common threat that could force the diverse parties to settle their differences, although this sense of security is, in my personal view, both false and dangerous. (If you do not go along with this, ask the Czechs, or even the Finns.)

But the state of public opinion is such that policies aimed at reducing the size of military forces are likely to prove popular. There is an absence of nervous tension; as a result each of the nine members of the enlarged Community is likely to place its own conception of its national interest well ahead of any idea of trans-Atlantic collective security or the long-run defense of the Western world.

For the United States this presents a number of opportunities. The coming year of negotiations with Western Europe will not take the form of bilateral talks between two cohesive powers. Washington will continue to present its own policies; the Nine, for all their attempts at unity, will continue to be susceptible to outsiders who seek to divide *them by wooing, separately, this* nation or that.

Varied Interests

The nature of the relationship between America and Britain is qualitatively different from that between America and West Germany, or, again, between America and France. This is not because there is any longer anything particularly "special" about the ties between London and Washington (although the effects of a long history cannot be set aside) but rather because the common interests that each of the pairs share are different from those of any of the others. France has stood aside from America's creation, NATO—Britain has not. West Germany is on the front line with the Communist world—Britain is not. Italy might seek American "protection" from the European big three.

This is not to say that there is nothing in European unity, or that Britain will not strive to be a "good" member of the club of Nine. But the Europe dreamed of by those who hope for an eventual federation is still very far away; the present reality is that a common market—just that—has been set up under rules and constraints (such as the single national veto) that make any move forward particularly slow and difficult. The French have shown how it is possible to be a member while at the same time pursuing an exceedingly individualistic policy. The British, who at this stage in their history must be considered to be especially unpredictable, may quite possibly adopt a similar approach.

Euromarket

(Continued from Page 13)

say, with the Victorian hymn-parodist, "Thy will be done, but not just yet!"

Immediately, the outlook must be for a greater use of the international market by British borrowers. If they want to invest in Europe, either by acquisition or by putting down plant, they will have little other choice. And aggression, rather than partnership, seems likely to be the order of the day. One disastrous deal, the Dunlop-Pirelli union, has cast a black cloud over the whole idea of partnership. Those in Britain and the Continent who still find something heady—ecumenical, almost—in the notion of trans-European mergers would do well to realize how much suspicion and mistrust have been revived. And yet the real moral is not to be found in tired jokes about triplicate sets of accounts, but that, as Sir Alan Wilson of Glaxo said when fighting his own big battle last year, between competitive companies there are no mergers. Control cannot be split; and the structure of Rothmans International showed that the lesson had been learned.

The Rules

So some, at least, in the City, look happpily forward to playing in the European arena the game whose scope, in the playing fields of Britain, is beginning to look exhausted—the sport and art of swapping paper, perhaps quite fully valued, for assets and earning-power, perhaps at a conservative rating. How the game will develop will depend, as always, on what happens to the rules.

One determined blast of the whistle came from that most experienced of referees, Mr. Wilfred Wareham, head of the London Stock Exchange's quotations department. It was the more significant in that he chose to deliver it at the exchange's great Brussels conference, designed to show the capabilities of the London market to Europe.

A Portent?

Mr. Wareham quarrelled with the commission's directive on company accounts, which requires only that they should be certified as complying with the law—not, as in Britain, as giving a true and fair view of the state of the company's affairs. Heaven knows that some true and fair views have come to look cross-eyed in recent years. But, as Mr. Wareham said, at least they are better than a system which cannot so much as tell the owners of the equity whether the concern is solvent. And it is surely significant that the professional accountancy bodies have chosen to follow the British example here, as against the commission's precept.

That, too, may prove a portent; and so may the listing on the British domestic market of such a major European company as the Crédit Commercial de France. If other such companies will submit themselves to the accountancy disciplines of the stock exchange, then, paradoxically, it is the London international bankers who will benefit. As matters now stand, they compete for business in Europe at a double disadvantage. They are distant from their customers, and they are less well placed than their competitors to form a sound judgment of credit. Information will strengthen their hand. It is not wholly in jest that a London broker who busies himself with European shares claims this simple rule of thumb: start with the share price, decide what sort of earnings multiple such a company would stand on, and bingo!—you know the true earnings.

The New Game

But if a change in the rules will help London, might the new game not prove to be one that any number can play? The City view is to accept that, and think it a price worth paying. The Bank of England has been careful, in o[…] the City gates to institution[…] the Six, to say that there […] be reciprocal rights for tho[…] given. But even without […] proviso, there would be g[…] for welcoming the further […] of banks to London which […] seems certain. "If you're […] middle here," as one […] Eurobanker puts it, "you lea[…] rules more quickly, it's mor[…] petitive; and then you star[…] ing messages home saying […] maybe this is a good way to […] And if those messages a[…] ceived and understood, tho[…] would derogate from Lo[…] uniqueness, it would wide[…] whole market. London, […] while, has the advantages […] man in possession; and po[…] and durable those adva[…] may well prove.

The markets, indeed, may […] last their currency. The […] "Eurodollar" may prove a[…] nomer in both its parts, i[…] now, just one. But the pla[…] is that, for any major comp[…] any size, whether it like[…] game or not this is the only […] in town.

Mr. Fildes is City Editor […] Evening News, London.

Perspective

(Continued from Page 13)

out what its policy on inter-bank mergers should be.

The Bank's role in trying to impose a morality on the City is one which has also given rise to confusion. The problem has been that the whole tradition of self-policing, built up over some two hundred years, has been working less and less well as the City becomes a more complicated place. Newcomers who have built up their business outside traditional City groupings are not touched by traditional City sanctions. There is little point in threatening to expel some bank from the Accepting Houses Committee, or some insurance company from the British Insurance Association, if neither have any desire to be members in the first place.

The Bank

The role of the Bank has in the past been one of general overlord, responsible for the way the City behaves but without specific duties or sanctions. But as the voluntary system has shown signs of strain the Bank has become more and more involved itself. And not only the Bank — for whenever it proves unable to devise a new and satisfactory method of control the government has to step in.

In one area where voluntary control has been particularly unsatisfactory, insurance companies, new legislation increasing the power of the Department of Trade and Industry is being brought in early this year.

Thus British entry into the EEC is merely one further complicating factor, imposing itself on a scene that is already changing very quickly. When the City gets worried about the impact of EEC entry it tends to forget this.

Agreement

In the case of the rigid controls on overseas investment the path has been mapped out. An agreement between the U.K. authorities and the EEC does exist setting out a timetable for the removal of capital controls between Britain and the EEC. At the end of the five-year transition period the last such controls (on portfolio investment) will have been removed, with restrictions on direct investment lifted rather earlier. As far as non-EEC investment is concerned Britain would adopt whatever common regulations the Common Market countries adopted at that date.

But does this mean anything? There are a number of reasons to suspect that it does not. As noted, the controls at present have not stopped overseas investment. There is therefore no reason to believe that at the end of the period British funds would flood overseas into the lush pastures of Europe—or at least no more than at present. Beyond this there is the possibility of adjusting the timetable—there are a number of loopholes in the agreement—and as France has demonstrated, even the existence of such agreements does not stop national governments from acting in what they see as their own interest and imposing capital controls as need be.

More Control?

If this first fear is unjustified, what about the others? In Eurocurrency activities, there is some sort of threat. The Bank of England's system of external accounts may prove against the interests of other EEC members. A number of foreign central banks, including the Bundesbank, have long felt that the Bank should exert more control on London banks' Eurocurrency activities. The Bank's attitude has always been that if it were, for example, to impose reserve ratios on London Eurocurrency accounts, this would merely drive the funds to some other (and probably less well run) offshore banking center.

The question then, is will EEC entry impose an additional political pressure on the U.K. authorities to curb the Euromarket?

I suspect the answer will be yes. But I believe that it is not in fact going to undermine seriously London's international banking business. New York has demonstrated in the last two years that it is perfectly possible to build up an offshore banking business without being able to run external accounts, by the simple dodge of putting the business through a limited service branch in Nassau. There is no reason why London should not do the same.

The final question—the impact of EEC entry on the way in which the ethics of the City are ordered—is perhaps the hardest to give a satisfactory answer to. Each of the various European financial centers has a very different history of control: one has only to contrast Luxembourg and Paris to see the difficulties of harmonizing financial practices within Europe. Ultimately some common system of governing such things as share dealing practice, accounting systems, or mergers between financial institutions, will have to be devised. […] a system will have to be […] on law; it would be imp[…] to enforce without some […] sanctions. But London […] doubtless European fi[…] centers too—would be lo[…] move to an SEC on the U[…] States' pattern.

A Suspicion

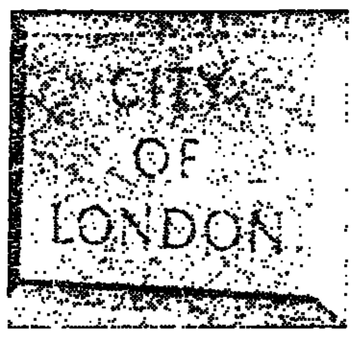
By and large, London has […] more progress on evolving a […] dealing code and devis[…] satisfactory method of pre[…] tion of company accounts […] have Continental centers. […] cannot help suspecting the[…] that European practice […] gradually follow London in […] fields, rather than vice ve[…] this is so, the path now […] trod, away from voluntary […] trol, toward a legal system […] be a useful experience fo[…] Continent as much as […] Britain.

Mr. McRae is the edit[…] Euromoney magazine. He […] author, with Frances Cairn[…] of the forthcoming book "C[…] City."

The Discount Banks

By James Castle

Neither gilt nor discount market sources expect many changes in their markets because of Common Market entry... and little chance is seen that London's unique houses can be transplanted onto foreign soil.



LONDON — First the good news . . .

Britain brings to the European Economic Community a government bond market that is more than twice as big as the Eurobond market, considerably higher-yielding, and just as advantageous tax-wise if you're a foreigner.

The creditworthiness of the borrower is unquestioned, better than that of most of all the companies floating issues on the Euromarket.

Then the bad . . .

The floating pound sterling makes any purchase of sterling securities hazardous. Estimates of when the six-month-old float will end vary from spring of 1973 to summer or even later.

Lending Rates

Capital values of bonds, as opposed to their yields, have suffered recently because of rising short-term interest rates and accelerating inflation. Banks recently raised their base lending rates to 7 1/2 percent from 7 percent. Some observers believe the government is beginning to win its battle to slow the growth of the money supply and will ease its upward pressure on interest rates. But this isn't certain by any means, especially in view of a year-end call by the Bank of England for banks to set aside funds in special deposits.

As to inflation, the government has clamped a 90-to-150-day freeze on wages, prices, rents and dividends. This is to be followed by Phase II controls designed to bring inflation down from the current 7.6 percent a year. It is too early to know whether the program will succeed.

Now the picture in more detail . . .

Government bonds (known as gilt-edged securities or gilts) consist of nearly 50 issues of the government proper and of nationalized industry. They form the biggest single element of the national debt, with Treasury bills and national savings following distantly. Gilts of up to 5 years maturity are known as shorts, up to 15 years mediums and over 15 years longs. The longest bond at present is due to be redeemed between 2012 and 2015.

'Irredeemables'

In addition, there are six gilts redeemable only at the government's option. Because their coupon rates are very low, ranging from 2 1/2 to 4 percent, the bonds are unlikely to be redeemed in the foreseeable future and are known as "irredeemables."

The total nominal value of outstanding issues is in excess of 24 billion pounds, more than twice that of the Eurobond market, which has issues with nominal value of about \$22 billion.

As 1972 drew to a close, the highest yields on gilts were obtainable on irredeemables. At mid-December, Treasury 3 percent and Consols 4 percent both were yielding 9.79 percent, well above Eurobond market yields.

Institutions own most gilts. The main institutional holders (besides the government itself) are discount houses, banks, insurance companies, building societies, pension funds, private trusts and funds, and overseas central monetary institutions, though not in that order. Later, this article will look more closely at the discount houses, which play an important but not widely understood part in gilt market and public sector financing generally.

Intervention

Most gilts are free of British capital gains and income tax for foreigners. On the tax-free bonds, interest may be paid gross, with government permission. However, the only bond on which interest automatically is paid gross is War Loan 3 1/2 percent, which was yielding 9.6 percent at mid-December. Stockbrokers Phillips and Drew advise overseas residents to check the tax picture with the Inspector of Foreign Dividends of the Inland Revenue before investing in any gilt except War Loan 3 1/2 percent.

Gilts account for a high proportion of the turnover in money terms on the London Stock Exchange. In November, for example, the turnover in gilts amounted to 2,176.6 million pounds, or 52.4 percent of the total.

When the government wants to float a new issue, it makes an offer to the public, generally amounting to several hundred million pounds of securities. Bids from the public normally are fully allotted. The unsold portion of the issue is taken up by the Bank of England. These securities later will be sold in several instalments ("tapped" out) on the stock market by the government broker.

The job of government broker traditionally is held by a partner in the stockbroking firm of Mullents and Co., and tradition recently was reaffirmed when a Mullens man was named to the job, replacing another Mullens man. However, one important aspect of the job was altered late in 1971, with still-persisting repercussions in the market.

Since late 1971, when the Bank of England announced sweeping reforms of credit control policy, the broker has stopped moderating downswings in gilt prices by buying. He now limits his buying to gilts with less than a year to run, the main object of these limited purchases being to retire maturing debt gradually.

The broker still acts as a seller, releasing "tap" securities on a rising market. These operations act as a drag on upward price movements.

The broker's virtual withdrawal as a buyer has made the gilt market a much riskier place to operate. In fact, three gilt jobbers (firms that wholesale government bonds) left the market after the new arrangements took effect.

Non-Residents

Most gilts are bought through stockbrokers, although some small buyers place their orders through the post office. Bigger investors use the brokers because brokers execute orders faster than the post office and because they accept larger orders. They also can help guide the non-professional investor through the complexities of the highly technical gilt market, which bristles with jargon like anomaly- and view-switching, yield curves, volatility and zig-zag charts.

Non-residents of Britain who prefer indirect ownership of gilts through a managed fund devoted solely to government bonds don't have a big choice. Anchor Gilt-Edged Fund Ltd., a Jersey-based investment company that resembles a mutual fund, claims it is the only fund specializing in gilts. Its main advertising points are that it offers professional management and spares investors the paperwork involved in getting tax exemptions from the government.

Discount Market

Closely involved with the gilt market but having an existence outside of it is the discount market, the core of which is formed by 12 discount houses. These houses, specialists in short-term money, play an important part in public sector finance in Britain, by regulation as much as by choice. The houses are required to keep 50 percent of their funds in public sector debt, including gilts and local government authority bonds with not more than five years to maturity, and British Treasury bills.

Their role in Treasury bill financing is particularly vital. Each week the houses submit bids at the weekly Treasury bill tender sufficient to cover the entire tender. They thus act as underwriters of the tender for the government.

Outside the public sector, the houses deal in commercial trade bills and in sterling and dollar certificates of deposit.

Funds to fuel the houses' activities come largely from British banks, foreign bank branches in the U.K. and commercial companies, all of which place surplus short-term money with the houses to keep it from lying idle. The banks find the houses a particularly convenient roost for their excess cash because money placed at call with the houses ranks as a reserve asset for the banks.

Tradition

The competition among houses for the banks' money gives rise to one of the city's quainter traditions. Each morning, top-hatted, dark-suited representatives of the houses pay calls to major banks for a chat about hobbies, the weather and ultimately about call money. Cynics who maintain this is an archaic and pre-telephonic tradition are told there's no substitute for the personal contact established by the roundsmen.

Besides, the tradition isn't so outmoded as it may seem; some of the representatives are equipped with portable short-wave radios with which they keep in contact with the home office, according to P. J. Lee, a managing director of Union Discount Co., a house that uses this system.

A Medium

In addition to providing an officially sanctioned repository for banks' idle funds, the discount houses also act as a medium through which the Bank of England influences short-term money rates. The system works this way:

Each day the houses must obtain enough short-term funds to balance income against outflow. The ease or difficulty of finding such funds varies with the liquidity of the banks. Days in the latter part of the week may be difficult, for example, because of normal pre-weekend cash withdrawals from the banks by customers.

When a shortage of funds develops, the Bank of England normally steps into the market, buying Treasury bills and other instruments from the houses and sometimes from the banks, and thus easing the tight conditions.

But if the Bank of England wants to put upward pressure on interest rates, it abstains from such open-market operations, forcing the houses to borrow from it at the so-called minimum lending rate. Because the minimum lending rate is always higher than market rates, loans to the houses at the higher rate (sometimes called a "penal" rate) tend to give rates generally an upward nudge.

Signals

If the Bank of England wants to give rates an upward jolt, rather than a nudge, it probably will squeeze the market on a Thursday, forcing houses to borrow at the penal rate. This may well be a signal to the houses that the Bank desires a higher rate of discount at the weekly Treasury bill tender that is to take place the next day. If it is a message, the discount houses will be quick to pick it up and respond by pitching their bids lower and thus raising the bill rate.

The bill rate in turn determines the Bank of England's minimum lending rate. The minimum lending rate is calculated by adding 0.55 percentage point to the average bill rate at the latest Treasury bill tender and rounding up to the nearest 1/4 point.

By using this formula, the Bank of England insures that the minimum lending rate always exceeds market rates and thus retains its penal sting. Following a rise in the penal rate, the Bank of England is equipped, if it desires, to squeeze the market once again.

The first week of December provided an illustration of how this process works. On Thursday, Nov. 30, the Bank of England forced houses to borrow at the penal rate. The next day, the Treasury bill rate rose, lifting the minimum lending rate 1/4 point to 7 3/4 percent. The Thursday squeeze was repeated a week later, on Dec. 7. On Friday, the bill rate once again rose, bringing the minimum lending rate up to 8 percent. Early in the next week, the London clearing banks responded to the pressure on short-term interest rates by raising their own base sterling lending rates to 7 1/2 percent from 7 percent. Thus the Bank of England accomplished its goal of forcing base rates higher in order to slow the growth of the money supply.

Other Devices

This isn't the only way in which the Bank of England can influence short-term rates. For example, the Bank has the right to set the minimum lending rate independently of the Treasury bill rate. And it may call on banks to make special deposits to soak up excess liquidity, as it did Nov. 15 and Dec. 21. But the discount houses are a very important means by which the Bank manipulates the cost of money.

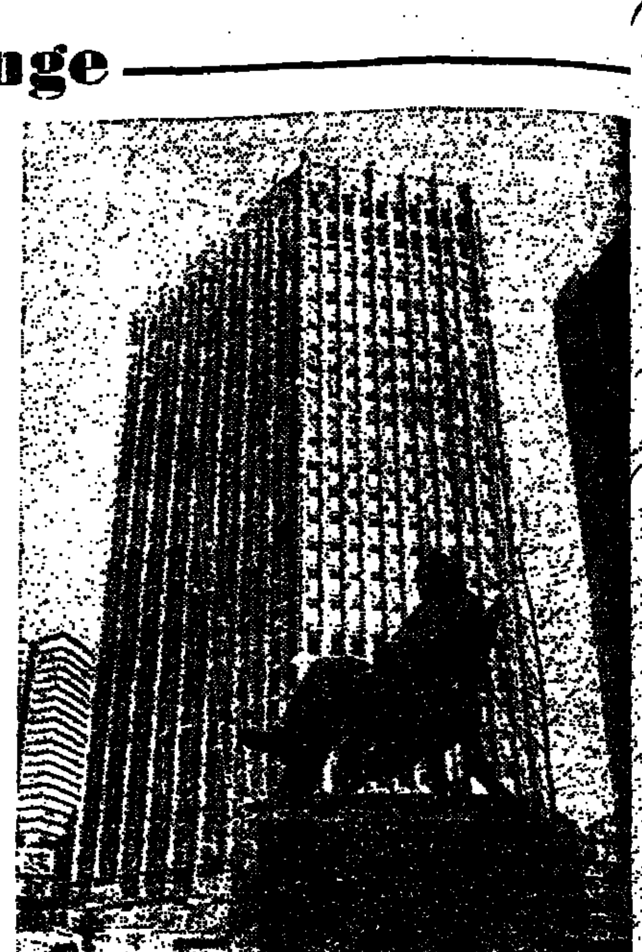
Neither gilt nor discount market sources expect many changes in their markets because of Common Market entry. A gilt analyst says European banks probably will continue to increase their holdings of British government bonds as they have done for the last two years, but this isn't attributable to EEC entry.

A discount market source sees little chance that London's unique houses can be transplanted onto foreign soil. The big European banks are deeply entrenched and aren't likely to allow an invasion of specialists in short-term money in the near future, he says.

هكذا من الاصل

The Stock Exchange

In the past, few companies in EEC countries have been prepared to meet the London Stock Exchange's disclosure requirements, the principal hurdle to a London listing...
As the EEC proceeds toward its announced goal of economic and monetary union by Dec. 31, 1980, London Stock Exchange officials see their market as the first among equals.


The new London Stock Exchange building

LONDON.—"We must look forward to a time when Frenchmen or Dutch banks subscribe to Italian company shares issued in London."

So projects Sir Martin Wilkinson, chairman of the London Stock Exchange.

This sort of comment may appear ominous to some Europeans already apprehensive that their stock exchanges may be eventually eclipsed by the much larger London market, now that Britain has joined the European Economic Community

London Stock Exchange officials, however, see their market as the first among equals as the EEC proceeds toward its announced goal of economic and monetary union by Dec. 31, 1980.

"We fully endorse," says Sir Martin, the concept of a market operating in several centers of comparable importance rather than a main market place with smaller satellites.

Rodolphe Dewaay, senior partner in the Belgian brokerage firm of Dewaay, Eliot, Sebille, Van Campenhout and Co., sees in the Eurobond market a reassurance that one center will not dominate the EEC securities market.

Eurobond Centers

The Eurobond market, he says, is as much centered upon Brussels as it is on Luxembourg, London, Switzerland, Paris or the Netherlands, depending only upon where offices are located.

"It is clear from this," he says, "that the future European securities market, seen in the reasonably long term, will be distributed throughout the community."

London is by far the largest stock exchange in Europe. In the third quarter of 1972, the turnover in equities amounted to £2,280 billion in London compared with £785 million in Paris, £645 million in Amsterdam and £124 million in Brussels.

And London's position will be further enhanced with the planned amalgamation March 25 of the stock exchanges in Britain and Ireland into the United Stock Exchange. Although the amalgamation plan provides clauses specifically protecting the provincial trading floors from forced closure, it is believed that after the union they may wither away for lack of support.

More than 9,000 securities are officially listed on the London Stock Exchange. Of these, more than 3,000 represent the equity capital of British companies, many of modest size. Nearly 400 overseas companies are officially listed in London, of which the largest group are South African mining and industrial companies.

Disclosure Rules

In the past, few companies in EEC countries have been prepared to meet the London Stock Exchange's disclosure requirements, the principal hurdle to a London listing.

But lately, the attitude has changed. In late October, Ciments Lafarge S.A., of France, became the first French company in 10 years to acquire a London quotation. It was followed in late December by Crédit Commercial de France (CCF). And it is believed that CCF's move may foreshadow similar initiatives by some of its big corporate clients.

Some British companies, in turn, are having their shares listed on European exchanges. Notable among them recently was C.T. Bowring and Co. The diversified financial concern last month received simultaneous introduction for its shares on the Paris, Frankfurt, Amsterdam and Brussels bourses.

To maintain its competitive position, the London Stock Exchange has been urging the British government to abolish stamp duties on transfer of shares and the addition of value added tax (VAT) to the private investors' commission charge.

Of the EEC member countries, the exchange argues that only Britain and Ireland apply transfer duties, while only Britain is adding VAT to the investors' commission charge.

Among the challenges the London exchange will face in the coming year will be the introduction of ARIEL, acronym for Automated Real-Time Investments exchange Ltd.

ARIEL was established by the *Accepting Houses Committee* on which 17 leading British merchant banks are represented. Its function is to provide subscriber firms with a system for large-scale security transactions that is less costly than operating through the exchange. To meet the challenge, the Stock Exchange has reduced commissions on big transactions, but ARIEL says its charges are still attractive compared with those of the exchange.

A Warning

Stock Exchange authorities have warned that introduction of trading systems such as ARIEL could result in a fragmentation of the securities market. And fragmentation, they say, might lead to difficulties in the policing of market activities and "be the back door which admitted a Securities and Exchange Commission."

Britain has no official agency equivalent to the SEC. The Stock Exchange is in no way controlled by the government in its internal operations, nor are its powers of regulating the requirements for listing in any way controlled by any outside body.

Recently, there has been a renewal of suggestions that Britain should have an agency like the SEC. The matter has come up because of recent allegations that insider trading is widespread. The Stock Exchange says it does not believe that insider trading is at all common and it remains opposed to the introduction of an SEC-type body.

The exchange also is anxious to forestall what it sees as moves in some quarters for a system of supranational controls over the developing European capital market.

Legislation at national or community level needs to be strictly limited, leaving the Stock Exchange in each country free to take the necessary steps to ensure an orderly conduct of market operations, says W.S. Wareham, head of the Stock Exchange's quotation department.

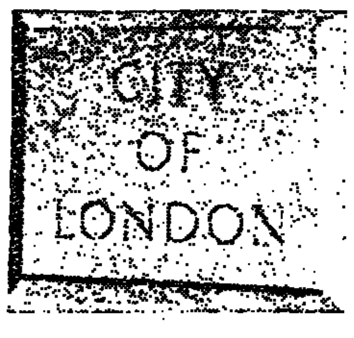
Too much legislation, he says, may militate against the achievement of simplicity of operation, an important factor if investment interest is to be encouraged and expanded.

Mr. Wareham sees the question of the quality of corporate financial reporting as the key to the success of any harmonization proposals in the supervis... markets.

The London Stock Ex... has taken exception to the EEC directive on compa... counts. This directive, St... change officials say, prov... the disclosure of a lot of ... cial statistics. But they ... has not had regard to eit... importance of the "true an... principle in financial re... or to the necessity for cons... ed accounts in the case of ... ing companies or group or... tions.

The Merchant Banks

By Andreas Whittam Smith



The impression in London is that Continental banks have been much closer to their clients...

They are not represented on the Continent in a coherent manner...

But perhaps the only lesson which the history of merchant banking in London teaches is that it is wrong to underestimate the banks' flexibility, their ability to find new business...

LONDON.—When the idea of Britain joining the Common Market was first taken seriously that is in the early 1960s, it was universally taken for granted that the City's merchant banks would benefit more than any other segment of the business community. Indeed a minor bull market in the shares of the banks then quoted was built on that assumption. Now that the moment of entry has arrived, however, reality is significantly less favorable.

Pressure

To put the points in summary form first, the fact is that the City of London's merchant banks find themselves under intense competitive pressure from their local commercial banks, from the big four of Barclays, Lloyds, National Westminster and Midland. Moreover an Achilles heel has appeared in the sense that the merchant banks look distinctly short of the industrial expertise which is now so important. Finally, the one frontier which the merchant banks are crossing to their own advantage takes them into stock exchange business, a development scarcely envisaged 10 years ago.

The competition arises because the Bank of England has adopted a new policy of encouraging competition between different kinds of City institutions. Clearing banks are trying to engage in merchant banking: finance houses are setting up money shops, merchant banks, as mentioned, are trying to set up an alternate dealing system to the London Stock Exchange: even insurance companies are trying to do a bit of banking business.

More to Lose

From the merchant banks' point of view, the trouble with all this is that they seem to have more to lose than any other City sector. They have always done some purely commercial banking involving taking deposits domestically and lending. But clearing bank muscle in that area is much greater than the merchant banks can ever hope to possess. They have tried to specialize in the special financing package, but it is an art that the clearing banks are picking up fast. The merchant banks manage investment funds on a large scale whilst traditionally the clearing banks have provided a rather poor investment service for small investors. But now the clearing banks are beefing up their investment departments. As for corporate advice, the clearing banks are willing to sponsor new issues. But what they are not prepared to do is to get engaged in take-over battles.

All of this hurts the merchant banks in the European context. The customer who would naturally have used a merchant bank to arrange finance on the Continent or to open the right doors to the right people there is now being encouraged to do it all through his clearing banks. Luckily for the merchant banks, British companies are showing a great enthusiasm for making acquisitions on the Continent of Europe. The Dutch Ministry of Economic Affairs has recently revealed, for instance, that in the first nine months of 1972 British companies took over or merged with no fewer than 48 Dutch companies compared with 60 in the whole of the previous five years. In fact, in the period under review, British companies seemed to be involved in about one-fifth of all Dutch mergers. Here is an area where the merchant banks are already and can expect to be very active.

Failures

As for the lack of industrial expertise, the evidence lies in the long list of venture capital failures with which the very best merchant banks in London have been associated. Obviously it is of the nature of venture capital exercises that some projects will fail. But there is something distinctly below par about the merchant banks' record in this area. Indeed the same criticism can be made of the whole British banking field.

The crash of Rolls-Royce, which was a heavily bank-financed company, was as much of a shock to the bankers involved as it was to the public at large. The British banks have not taken industrial expertise to the level of sophistication achieved by the American banks. Of course certain merchant banks have traditional skills. If you look at the Barings client list you will see that it contains a lot of brewery companies. Morgan Grenfell for many years was strong in electrical engineering clients. Hambros' Scandinavian connection have taken it naturally into the fields of paper making, timber and shipping.

Here the contrast with the Continental banks, though, is sharp. The impression in London is that Continental banks have been much closer to their clients. They have perhaps been forced into the position because they have also had large stakes in their clients' equity capital. This is p[illegible]ticularly true in Germany.

ARIEL

However there are signs that the London banks have at last recognized their weakness. They can soon close the gaps because industrial expertise can be brought into a merchant bank relatively easily. One might even see merchant banks buying control of management consultancy firms. It would be logical.

What does look interesting in the European context, though, is the merchant banks' decision to set up a system of trading in shares through a computer.

At the heart of ARIEL, as the proposed system is called, is a computer which stores information. Its users will be the merchant banks and other financial institutions engaged in buying and selling shares. Each subscriber will be able—anonymously—to "tell" the computer what shares it wants to sell and to buy; and each subscriber will be "informed" by the computer of what is on offer and what is in demand. Communication is effected by computer terminals and screens.

Worldwide?

Europe comes into this because it is hoped to market ARIEL to institutions on the Continent of Europe as well as to those in the United Kingdom. In the same way a link is being forged between ARIEL and its counterpart in the United States, Instinet. Thus ARIEL could become the centerpiece of a worldwide system of computer trading.

Part of the debate about the City's entry into Europe has concerned the question of whether a European market in equity shares, rather than as at present a series of national markets, could be created. London is ambitious to become the center of such a network. But one difficulty is that London's traditional market makers, the jobbers on the floor of the Stock Exchange, are not willing to make books in more than a handful of Continental stocks. Markets cannot flourish without position-takers. But it is conceivable that with ARIEL the merchant banks could make much progress on this front. ARIEL allows them to match bargains easily enough. The banks also have the capital resources to allow them to carry stock when appropriate.

However it has to be reported that a great deal of skepticism regarding ARIEL's feasibility is met with throughout the Square Mile. Those most likely to be hurt by its success, stockbrokers and jobbers, confess themselves unworried. We shall see.

Presence

What, though, does the physical presence of the merchant banks within Europe amount to? Are they as widely represented in the countries of the Common Market as, say, the American banks Has any one London merchant bank got a more impressive European network than, say, the Chase or First National City?

The answer is that the merchant banks are not represented on the Continent in a coherent manner. There is no sense of a Europe network having been created by any single bank. S.G. Warburg, for instance, is remarkably strong in Germany with Effectenbank-Warburg in Frankfurt and M.M. Warburg-Brinkmann, Wirtz & Co in Hamburg. But those are its only two Common Market operations though it also owns the Banque de Gestion Financière in Zurich.

Superficially Schroders looks to have a better spread. It has a representative office in Paris and another one in Frankfurt. It also owns a bank in Zurich, J. Henry Schroder Bank A.G. N.M. Rothschild seems to rely largely on its family connections—which are formidable enough. Morgan Grenfell is in a slightly more favorable position than many because of its links with Morgan Guaranty. Likewise Lazards has a close relationship, though no shareholding link, with Lazard Frères & Cie in Paris. Kleinwort Benson is represented in Brussels but nowhere else within the EEC according to a recent survey in The Banker.

A Lesson

Likewise Hill, Samuel is in Germany but in no other EEC country. And so the list goes on. It is not overly impressive. Successful banking does depend on physical presence. Not everything can be achieved by the use of telephone. It seems certain that the London merchant banks will have to increase their actual presence on the Continent.

But perhaps the only lesson which the history of merchant banking in London teaches is that it is wrong to underestimate the banks' flexibility, their ability to find new business when traditional areas disappear or diminish in profitability. Many of the leading merchant banks of today, for instance, did scarcely any domestic United Kingdom business in the first 50 years of this century. Since then they have built up massive local interests. Their adaptability results from their ability to recruit talented entrepreneurs, to provide a congenial working atmosphere and decent rewards in terms of status and salary—hardly a description which could be applied to the staffing policies of the big clearing banks. And at this moment in time, London merchant banking is still considered a glamorous career. The banks have a lot of talent. Thus although their planned invasion of Europe may not be so easy as once imagined, they are likely to be resourceful, aggressive and persistent. But probably they will change much in the process. They always have.

Mr. Smith is editor of Investors Chronicle.

Foreign Exchange

By Ray Mayer

LONDON. — London's foreign-exchange operators are sure they are going to remain the chief money brokers when Britain enters the Common Market. They just want to make sure everyone else knows it too.

So a flood of European visitors, corporate executives and money-market men have been shown how the London foreign-exchange market operates, and why.

The City claims to be the largest foreign-exchange market in the world. No one has made any attempt to challenge that claim, either in theory or practice. With the expected rise in international trade following enlargement of the European Economic Community, London hopes to increase its role as a foreign-exchange market: more trade means more need for changing currencies to pay for goods, insurance, shipping, handling, storage.

But there is one nagging fear shared by all foreign-exchange operators that could curb the London market, perhaps sending customers to other centers: They fear that Britain's EEC partners will force adoption of stricter controls on currency flows.

It is not an idle fear. The purpose of the EEC is to harmonize the European economy. Daniel P. Davison, general manager of Morgan Guaranty Trust Co.'s London branch, notes that "The whole spirit of the Treaty of Rome is to standardize practices in order to become a larger market."

EEC 'Shackles'

The market thinking is that standardization will be toward the continental predilection for slapping on what are often termed "unreasonable shackles" on currency flows.

London is particularly vulnerable when the topic of currency flows arises. Mr. Davison notes that the London market "has been the base from which speculative attacks (on very weak or very strong currencies) are made—not Zurich," as is often charged. Once Britain enters, Mr. Davison feels, the attitude among the other eight members may well be: "We can't permit this to happen from one of our own members," and the call for controls will be on.

Some measure of control will be exerted on the market through operation of the EEC's "snake-in-the-tunnel" scheme. The six original members have agreed to keep their five currencies (Luxembourg uses Belgian francs) within a "snake" of 2.25 percent of central rates recognized by the International Monetary Fund. This is half the fluctuation the IMF allows within the "tunnel" of 4.5 percent for all other currencies.

Ireland is not in the snake agreement yet, though Denmark is.

Britain had put the pound sterling within the snake at the beginning of last May, but almost immediately the pound came under pressure. Later, the Bank of England noted glumly that the pound's difficulty prompted the "first occasion on which central bank intervention had been necessary to keep the currencies concerned within the limits of the Community band of 2.25 percent ["the snake"]."

Within seven weeks, the British authorities saw that keeping the pound at its relatively new parity near $2.60 was futile and floated sterling on June 23.

Fixing Parity

It was thought at the time that Britain would quickly return the pound to a new lower parity. A likely rate was thought to be near $2.40, where it had been from the 1967 devaluation by the Labor government up to December, 1971, when the new Smithsonian rates were set following the dollar float and devaluation.

But over six months the outlook changed and finally, on Dec. 15, the Chancellor of the Exchequer, Anthony Barber, said that the pound would not be repegged before entry to the Common Market.

Current thinking is that the earliest sterling will be repegged is around April 1, when the EEC's fiscal year starts and agricultural prices are set. And, this view holds, the rate probably will be around its current level of $2.30-$2.35.

In any event, no one seems in much of a hurry for the pound to get a new rate.

Peter Day, foreign-exchange manager of Barclays Bank International Ltd., says, "I'd like to see it float until we get it right. I'd hate to see us go back into the tunnel at an artificial rate."

Reginald Barham, vice-president of Morgan Guaranty and head of its foreign-exchange operation, notes that since the floats of the deutsche mark and the Canadian and U.S. dollars, "there's nothing wrong in a float. It's silly to go to a national rate" too soon. He adds that at the moment a rate of $2.35 seems "acceptable to the EEC" as one that will not give Britain too much of an advantage in exports, while still allowing enough upward movement, within the snake, to be realistic.

When the right time will be to repeg, even EEC sources agree, it must wait for better indications of Britain's economic strength and its export-import performance at the new floating rate. Though recent trade figures have not been encouraging, economists point out that it took about 15 months for Britain to benefit from the 1967 devaluation and just a few months less for the United States to show gains from last year's devaluation.

The whole spirit of the Treaty of Rome is to standardize practices in order to become a larger market. The thinking in the London market is that standardization will be toward the Continental predilection for slapping on what are often termed 'unreasonable shackles' on currency flows and London is particularly vulnerable when the topic of currency flows arises . . .

Inflation Control

Much store is put on how Britain manages to control inflation following the 90- to 150-day freeze on wages and prices that began Nov. 6. Though money-market men agree on the need for an almost "total" continuation of freeze conditions, the political realities facing the Heath government make some easing almost inevitable, they concede.

But the foreign-exchange market seems convinced that sterling's rate is stable. In the forward market, where corporations (and speculators) protect themselves against expected currency changes, the pound's somewhat lower rate (about $2.30 for delivery in six months) merely reflects technical interest-rate differentials.

Adds Roy F. Brinsden, deputy foreign-exchange manager at Barclays International, "People haven't been buying sterling short in forwards. The float has taken the steam out of speculation."

Trading in the six months of sterling's float has been calm, at least partly because of occasional Bank of England intervention to keep the pound from falling so fast. The float has kept speculators off balance, as the Bank is not required to maintain the pound at any given rate. A relatively "clean" float has been welcomed by dealers, who favor letting the market set the rate.

The extent to which such "discretionary" bank operations would be possible within the snake scheme is obviously quite limited, though the EEC has been notably flexible so far. For instance, Italy has been exempted from repaying other central banks' lire support purchases with the "required" amount of gold until Jan. 1. After that, it was recently agreed at Basel, all EEC countries will have until 1975 to repay currency support purchases with gold. This is to allow time for restructuring of the international monetary system, which is in its initial stages.

EEC Summit Talks

Another question overhanging the market was discussed at the European summit of the enlarged EEC in October. The heads of government unexpectedly agreed to begin operations of the European Cooperation Fund by April 1.

Run by the committee of the EEC central bankers, the fund initially will organize support within the snake. But the Bank of England, in its latest quarterly bulletin, confides that "the fund may develop in time into the nucleus of a community central bank." As with most of the EEC's monetary union plans, the outlook for an EEC central bank is long into the future, with an initial target date of 1980.

Until then, it is expected that business will be pretty much as usual. The foreign-exchange market will continue to operate as it has since the advent of the telephone. One of the difficulties in controlling the foreign-exchange market is that it does not have a central meeting place like the Stock Exchange. All business is done by telephone, telex or cable. Millions of dollars, pounds, francs, marks and yen change hands over the wires.

Of course, the actual currency does not move physically anymore. Trading now is by telegraphic deposit transfer. Up until the late 19th century, though, there were physical money markets, but with the invention of the telephone, markets quickly came to resemble present-day operations.

Daily 'Fixings'

Some European centers, like Frankfurt, still retain daily "fixings" but these last a very short time, usually less than an hour, and are only for carefully defined and controlled transactions.

Except for times of crisis, it is now possible to get instantaneous quotations for the world's major currencies from delivery in two days (spot transactions) up to some time in the future (forward dealings). And the place to get the widest range of "good" quotes is London. There's general agreement as to why this is so: expertise and breadth, which have grown out of long experience.

Since the Napoleonic wars, when London attracted most of the foreign-exchange business away from Amsterdam, the City has kept its top place in money dealings, with only minor lapses.

In handling currency, fast dealing is most important. When a broker quotes a rate, it must be accepted immediately or he has the right to change it. Disagreements over millions of dollars of transactions occur infrequently. If a broker feels he has been "taken" by another broker or banker, it may take years to regain his confidence. But the infrequency of such occurrences is a reflection of London's stability.

London has other advantages, too, that have helped it gain its place as the world's chief foreign-exchange dealer. Its geographical location puts it close to the European time zone and it overlaps the business day in both the Far East and America. In fact, with increasing American interest in international monetary developments, many banks now have foreign-exchange dealers at work in New York at 5 a.m., virtually the start of London's business day.

Over 200 foreign and British banks based in London operate on the foreign-exchange market. Much of the activity is done through the dozen or so brokerage firms, which are paid off a set-fee scale. Their job is to arrange trades, usually between banks, anonymously, so that neither bank knows exactly where the money is coming from.

Party Lines

The brokers have direct lines linking them with the banks for immediate connections. Until technological advances come along to help their work, foreign-exchange operators must be satisfied with tinkering with the telephone system: setting up party-line hookups, opening 24-hour telex lines and cajoling governments to update Europe's overloaded communications network.

London has maintained its premier place in currency dealings by changing its mode of operation when necessary, and that has been fairly often. Whenever a government changes its rules governing changes exhange trading, the market must adjust quickly. The market that starts trading with reliable rates the fastest will get the most business.

One reason London can adjust so fast is because the government and the Bank of England have always taken a benevolent view of the foreign-exchange market and keep it relatively (though not completely) free of those "unreasonable shackles."

This has been true despite the ever-diminishing role of sterling as a reserve currency. Barclay's Mr Day recalls that "as sterling has been phased out over the past 20 years, London has shown expertise in dealing in other currencies."

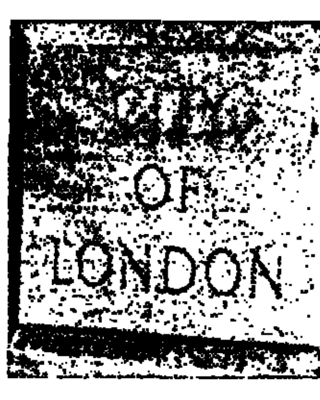
He cites London "speed in developing new ideas" and points to the continuing development of the Eurodollar market. He looks for growing use of Euro-commercial paper, and the increasing borrowing requirements of developing countries, including the Communist nations.

This is not to say that other centers will not also benefit from the enlargement of the EEC and a general increase in offshore borrowing requirements. London bankers note the growth of Nassau as a center from which U.S. banks can deal in offshore funds; Singapore, which is making a concerted bid to become Asia's financial center; Tokyo, which they say will be forced to become a foreign-exchange center, if only because of its vast monetary reserves; and within the EEC, Frankfurt, where West Germany has centralized its financial functions.

Confidence in the London market's future is reflected in recent interest shown by West German and Italian regional banks to open branches in London. Their inquiries apparently have been warmly received by the Bank of England.

Naturally, London is convinced of its place: "The borrowers are here and the contacts are here," one manager says. And in a market where most transactions are agreed verbally, "an Englishman's word is his bond" remains a strong drawing card.

Insurance



LONDON.—Wild enthusiasm is not the British insurance industry's first reaction to the prospect of the wider horizons of Europe. Indeed, its feelings about life in the European Economic Community tend to range from mild interest, through resignation, to downright trepidation.

The reasons for the industry's cool attitude are not hard to find. In almost any respect *you care to mention, the British* industry differs markedly from that in the larger EEC countries. The Common Market has been working toward a common insurance policy almost since it began. British insurers fear that easier entry into European markets will be a small reward for accepting a framework of insurance regulations tailored to the needs of the very different insurance industries of France, Italy, or worse still, West Germany.

Before looking at how the Common Market's insurance policy has developed so far and what it is likely to become, it is worth noting just how different British insurance is from its counterparts in the larger countries of the Six. It has first of all, an extremely complex structure. Underwriting is carried out by two main kinds of institution, Lloyd's and the 270 or so British insurance companies. But the market also comprises over a hundred foreign companies, and a good number of oddities: about 100 specialist mutual associations, mainly in the marine market, providing companies with cover not usually offered by ordinary insurance policies; some 70 collecting societies, carrying out a *fair volume of life assurance;* and nearly 800 friendly societies, providing sickness, unemployment and similar benefits for their members.

Lloyd's itself, ancient and eccentric though it might appear to an outsider, generates a premium income over a third *the size of the nonlife premium* income of the companies. Its capital is the wealth of its 6,000 or so members, each of whom is liable, in theory at least, to his last shirt for any losses made by the syndicate of professional underwriters he backs.

British Giants

The largest British companies are composites, transacting everything from life insurance to marine business, and led by giants like the Royal, the Commercial and the Prudential. Mergers have increasingly helped to concentrate business in the hands of a few of these giants: the six largest account for nearly two-thirds of all British insurers' world-wide fire and accident premiums. Of the many specialist insurers, the most important group are the independent life funds, most of which are *mutuals,* owned by their policyholders rather than by shareholders.

Many of the bigger companies sell some of their insurance, and particularly personal insurance, directly to the public. Lloyd's, by contrast, sells only through a special group of Lloyd's brokers. Otherwise, insurance is marketed through some 5,000 to 6,000 full-time brokers, and through an unknown number of part-time agents, such as bank managers and building societies, who act for a particular company.

The British insurance industry is highly international. The net earnings from insurance of each member of the EEC Six were, in 1970, in deficit, a deficit which in West Germany totaled nearly $90 million. The British insurance industry, on the other hand, generates roughly half the City of London's net invisible earnings.

About two-thirds of all nonlife premium income is earned abroad —more if one looks just at Lloyd's and the large companies—and nearly a third in the United States alone. Life insurance is less internationally oriented, but typically, over a tenth of premium income is earned overseas. In 1971, Britain's net foreign earnings from insurance totaled £331 million, excluding portfolio income, and £381 million, if portfolio income is included.

There are other substantial differences. Life insurance in Britain, thanks largely to income tax relief on premiums, has been massively successful as a savings medium and now represents the country's largest single form of contractual savings. Investment of insurers' funds, tightly controlled in several of the Six, is virtually unregulated in Britain. Entry into the British market for a foreign insurer is, by and large, far easier than entry into the markets of most countries of the original EEC.

Protected Market

Compared with British insurers, the industry in most countries of the Six is kept under a much firmer thumb by the government. European insurers, broadly speaking, enjoy less freedom of action than their British counterparts—but their home market is more protected. This, of course, is not equally true for all the countries of the Six. It is far less true, for example, in the Netherlands than in West Germany. But it remains the case that in the largest members of the original EEC, relatively restrictive legislation applies to both foreign and national insurers.

When one adds up what the Common Market has achieved so far in the insurance field, it comes to very little—and certainly not enough to frighten the British. Back in 1964 a common market in reinsurance was instituted—though it was 1969 before the French complied. And on *of the first signs of the* Common Market that British motorists have noticed has been the extension of their policies to cover them in all other Community countries by the start of 1974.

When one adds up what the Common Market has achieved so far in the insurance field, it comes to very little— and certainly not enough to frighten the British... What worries British insurers is freedom of establishment, the conditions under which an insurance company of one member country can set up a branch or a subsidiary to sell its policies in another.

What worries British insurers more is the prospect of two other *directives, one on nonlife,* and the second, more distant, on life. Both deal with freedom of establishment—the conditions under which an insurance company of one member country can set up a branch or a subsidiary to sell its policies in another. Both will *effectively* set out the ground rules for insurance companies in the Community. And both have so far been drawn up almost entirely with the European insurance industry in mind.

British insurers are worried that the nonlife directive will inflict on them the system of matching liabilities undertaken in one member state with assets held in the same country, under which insurance companies in most of the Six operate. They are afraid of an increase in minimum solvency margins—and since the collapse of the motor insurer, Vehicle and General, they have not been in a strong position for arguing against it.

Lloyd's is going to need special treatment: the law in West Germany appears to prevent Lloyd's from operating directly through an agent; and the rules will certainly have to be adapted to take account of Lloyd's peculiar capital structure. Finally, some of the rarities in the British insurance world look like suffering. The ship-owners' mutuals, for example, are not required by British law to hold technical reserves or to have a solvency margin; under the new Community rules, they will almost certainly need both.

Separate Companies

The directive on life insurance is further off, but it still worries British insurers. It looks like following the tradition in France and West Germany of totally separating life and nonlife companies. If it did so, the big British composites could find themselves in an awkward position. It looks, too, like adopting the method for calculating reserves used by the big life funds in all the Six except the Netherlands, a method which British authorities do not feel adequately protects the policyholder.

Still further along the pipeline are two directives on brokers, that look like requiring a system of registration and insisting that brokers should have some professional qualifications. Neither provision exists in British insurance law.

But the British insurers' attitude to the prospect of all these new rules is not one of unrelieved gloom. Some of the provisions that may emerge from negotiations on the directives—higher solvency margins, more separation of life and nonlife business and some kind of registration for brokers—are in line with what some of the more critical voices in the industry are already advocating.

Besides, the regulations should make the Common Market more accessible. Up to now some British insurers who have tried to break into European markets have met with considerable difficulties. Last summer, when the British company Equity and Law put in a £6 million take-over bid for the composite Union des Propriétaires Belges, it was blocked by the Belgian government. European business is still a small part of British companies' operations abroad. Thus the Commercial Union, one of the largest British composites, reported in 1970 that 8 percent of its premium income from nonlife business was generated in Europe, *against 40 percent in the United States.*

For Lloyd's, whose structure prevents it from buying a subsidiary overseas, easier access to Europe should be particularly important. It should, for example, be able at last to set up an agent to underwrite business for it in West Germany: up to now, any German who wanted to place a risk at Lloyd's had to deal with London. And the market is seen as particularly undersold by the British life funds. The amount spent on life assurance per head in France and West Germany is not much more than half that spent in Britain, while even in the Netherlands, the most sophisticated *insurance market in the* Six, it is 30 percent below the British average.

The insurers know that insofar as the Common Market results in larger firms, more trade and richer people, it means more insurance business for whoever is around to take it on. They know, too, that with the developing countries increasingly wanting to undertake their own insurance, the most rapidly expanding international market from now on may well be Europe.

But what British insurers would like most, freedom to sell a British policy directly to a client in any country of the Nine, is still a long way off. "Frankly," they say, with just a touch of smugness, "we're too good for them to want to make it *that* easy for us."

Some Musts in London For German Businessmen

BONN (Reuters).—Britain's businessmen are not very good at foreign languages and like their visitors from abroad to stay at "correct" hotels, according to the West German Chamber of Trade and Industry.

The chamber's London office has prepared a list of 12 tips, telling West German businessmen how to deal with their English counterparts when Britain enters the European Economic Community Jan. 1.

The list says: "In England, it is still very important to stay at the 'correct' hotel."

Another tip reads: "Don't overestimate the Englishman's knowledge of languages. At important meetings, the presence of a good translator can be very useful."

The chamber also says that English businessmen do not like long-winded discussions. "Wit, quick repartee, and brevity bring sympathy."

Above all, the list says, Englishmen expect clarity. "West German traders have a very good image," it says.

Commodities

By James Castle

LONDON.—The city's dominant *position on the European* financial scene is matched by its pre-eminence in commodity futures trading.

The futures market is by far the largest in Europe, and its influence is worldwide. The prices struck on the noisy dealing rings of the London Metal Exchange (LME) off Leadenhall Street and the London Commodity Exchange on Mincing Lane serve as guides to producers and buyers throughout the world in setting their own quotations.

Futures (or terminal) markets exist in around 15 commodities (versus more than 40 in the U.S.), with the most active dealings taking place in sugar, cocoa, copper, tin, zinc, coffee, lead, silver, rubber and wool. Trading in other commodities like coconut oil, vegetable oil, grains and cotton either is inactive or fairly limited.

Suggestions have been made for additional futures markets in petrochemicals and gold.

Trading on the London market will be nothing new to concerns located in the six original European Economic Community (EEC) countries: they already conduct much business on the market. The reasons for their participation in London aren't hard to find.

An LME spokesman says no metals futures trading center exists on the continent, meaning that European interests are active here. In particular, he says, "The Germans and Dutch make extensive and sophisticated use *of the LME.*"

Most continental interests trade on the LME through the 28 "ring-dealing" members of the exchange—that is, those members privileged to sit on the ring-shaped bench that surrounds the trading *pit and take part in open-outcry* dealings.

Trading in the London market will be nothing new to concerns located in the six original EEC countries; they already conduct much business on the market. In prospect, however, is more participation by Continental producers and new links with the markets of Europe.

'Soft' Variety

But Metallgesellschaft AG. of West Germany, and Pennaroya S.A., of France, both have ring-dealing status through British-registered subsidiaries. Only U.K.-registered units may join the LME as ring-dealing members.

Other participants come from many parts of the world. They include such Communist nations as Bulgaria, Romania, North Korea and Russia, which furnish lead, zinc and copper to the market.

London's futures markets for the "soft" commodities have some counterparts on the continent. Facilities for futures trading exist in France for sugar, cocoa, coffee and wool tops, and in Holland for cocoa and potatoes. Nevertheless, the market in London is much larger and thus more flexible.

Worldwide trade interests such as producers, consumers and dealers use the London futures markets mainly for hedging, or insuring themselves against losses caused by fluctuating commodities prices. Speculators, on the other hand, ar. in the market for .. chance to make a profit. Together, the two groups fulfill each other's need:.

Complex Forms

The hedge can take many complex forms, all of which are classifiable either as "short" or *"long" hedges. A couple of examples,*—first of a short hedge, then of a long hedge— can make the basic outlines clear. A German dealer may buy 1,000 tons of cocoa from a producer at about 300 pounds a ton, for a total of 300,000. This cocoa may be likely to sit in the dealer's warehouse for three months before it can be sold, during which time a drop in cocoa prices could seriously devalue the dealer's inventory.

Therefore, the dealer hedges by selling 1,000 tons of cocoa at about 300 pounds a ton on the futures market for delivery in three months. If the price drops to 250 pounds a ton in three months, the dealer completes two transactions which together leave him with neither profit nor loss resulting from the price change. First, he sells his cocoa to a consumer at 250,000 pounds, losing about 50,000 pounds on that transaction.

The sal· to the customer is known as a "physical" transaction because actual cocoa has changed hands.

Liquidation

The dealer's second move is to liquidate his futures contract. In doing so, he makes a profit of 50,000 pounds on the futures market to set against his identical loss on the physical market.

If the price of cocoa had risen instead of falling, the dealer would have made a profit of 50,000 pounds on the physical market but would have lost it on the futures market, winding up *"all square" as before.*

The cocoa dealer's arrangement was known as a "short" hedge because it involved an original sale of a commodity.

A long hedge, on the other hand, involves a purchase on the *futures market. A chocolate* manufacturer may know he will need to buy 1,000 tons of cocoa three months hence. He budgets for the purchase at the current price of, say, 300 pounds a ton. To ensure that this is in effect the price he ultimately will pay, he buys a futures contract for 1,000 tons of cocoa at 300 pounds a ton.

Mixed Markets

If the price should rise to 3.. pounds in three months, he will buy his load of 1,000 tons for 350,000 pounds on the physical market, exceeding his budget estimate by 50,000 pounds. However, he then makes another transaction that cancels the over-run; he liquidates his futures contract at a profit of 50,000 pounds.

In both examples, it will be noted, the dealer and the consumer were acting in two distinct markets, the physical market and the futures, or "paper" market.

It is possible for an operator to mix these markets by taking or making delivery on a futures contract. However, the normal pattern is for futures contracts to be liquidated prior to any delivery. This is done by making an *equal and opposite* paper transaction.

Trade groups are able to insure themselves against the risk of loss on price changes because speculators are willing to gamble on profiting by such fluctuations. *When a trade group makes a fu*tures contract to sell, it is usually a speculator who buys. The trade group is selling at today's price to insure against a possible future fall in price, while the speculator is buying because he *thinks prices will rise and he will* be able to liquidate the contract at a profit.

Margin

On the other hand, when a trade group makes a futures contract to buy, the seller is usually a speculator who expects the price to drop, allowing him to liquidate the contract at a profit.

The lures and dangers of speculation on the London market are great. The average margin requirement for a contract is about 10 percent. That means that a speculator can buy a 1,500-pound contract for a deposit of *150 pounds. If the contract rises* 20 percent to 1,800 pounds, the speculator makes a profit of 300 pounds, or 200 percent. This powerful lever can work in reverse, of course.

For those contemplating speculation on the *London* market, G.W. Joynson and Co., a commodities firm, advises that you must be prepared to risk a minimum of 1,500 pounds.

In fact, many speculators are considerably better heeled than that. Among consistent London speculators are the merchant banks, one source said. These banks frequently buy metal on the physical market and simultaneously sell it on the three-month futures market, where the price normally is slightly higher. The premium of futures metal over spot metal represents what it costs on average in interest and storage charges to hold the metal for three months.

Financing

However, the merchant banks *have access to cheap* money and can finance the holding for less-than-average cost. Therefore, they can profit from such deals. Whether this is speculation or a sure thing is uncertain. At any rate, it isn't feasible for the *average investor who can't get* cheap money.

The men who run the markets in London look at Common Market entry as a chance to increase London's already large business with the continent.

A spokesman for the London Produce Clearing House Ltd., which clears most contracts on the London Commodity Exchange, is now providing a London-Paris clearing service for *Clearing House members* who deal in both cities. The service is provided under an agreement with Caisse de Liquidation des Affaires en Marchandise à Paris, the Parisian clearing organization.

Offsetting

London Produce Clearing House plans to begin offsetting margins internationally in 1973. *This will mean that if a trader* has a margin surplus in London but faces a margin call in Paris, he can match one against the other, an obvious convenience to those who operate in both areas.

The spokesman said an enlarged EEC may make it possible for European soft commodities markets to diversify from the mainly tropical produce in which they deal at present into produce of the Community itself—for example eggs. He notes that the Chicago commodities market, the world's largest, is based primarily on domestic produce. "They can do it in Chicago. Why can't we here?" he asked. He noted that such a diversification depends on how much control is imposed on agricultural produce by the EEC.

Attitude

The spokesman said that the clearing house's attitude toward the Common Market generally is:

"It's no good sitting back in London and saying the London markets are bigger and are therefore better than the ones in *Europe.* This is why we're establishing links with the markets in Europe. So that we can get to know them better and they get to know us and we can work together."

The LME spokesman said Common *Market membership provides* a chance to build up business. The exchange would like to see more participation by European producers. The LME will consider wider membership. It may increase the number o' its warehouses on the continent. (At present, warehouses are located in Rotterdam, Hamburg and Antwerp.)

Change?

But the LME wants to make sure it stays an international market, accessible to all nations and not just to Europe. Recently, exchange officials have been wrestling with the problem of how to handle the 4.5 ad valorem Common Market import duty that will have to be placed on lead and zinc entering the U.K. starting Jan. 1. Prior to entry these metals weren't subject to British duty. The new duty posed difficulties in maintaining the highly prized internationality of LME prices, the spokesman said.

Nevertheless, he was confident that the problem could be solved and that LME zinc and lead *prices would remain as meaningful* in, say, Japan as in Brussels.

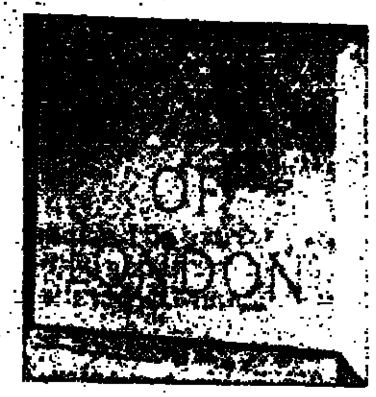
Asked if a competitive exchange might spring up on the continent, the official said, "It's always possible. We have to consider this and so run our business *that it won't be worth anyone* else's while trying."

Bullion

By William Davis

...CN.—The French have ...le the most fuss about ... recent years, but the pre... market in bullion is not ...ut London.

...is due chiefly to the fact ...uth Africa's gold is shipped ...lon for marketing. South ... produces more than 70 per... of the non-Communist ... gold and by law the ...'s gold mines must sell ...tput to the Reserve Bank ... for the Treasury. The ... n turn, finds it convenient ... the Bank of England as ... g agent.



There has certainly been a good deal of entirely justified argument in recent years over the role of gold in international monetary affairs ... Nevertheless, London bullion dealers certainly do not expect to be thrown out of work during this century.

...is a well-established ... involving weekly ship... by Union Castle liner from ... to Southampton. From ... the gold is transferred to ...ults of the Bank of Eng... which is told by cable each ...y how much to sell the ...g week. West African ... so comes to London, and ... Russians use the London ... Considering the size of ...pments it is remarkable ... here has never been a ...ger-type attempt at piracy. ...y, of course, is very ... two crew members of the ...wn Castle did try to steal ...old from the strongrooms ... years ago, but never got ...uff off the ship.

Pricing

...price of gold is fixed daily ...ather quai : ceremony in ...y. Dealers are invited to ...ices of Rothschilds, who act ... Bank of England's repre...ives and preside over the ...n. Each one sits at a desk ...d with an open telephone ... own trading room and ... Union Jack. If he wants ... the proceedings, in order ...nfer with his office, he ... cries "flag up!" Once he ...made his decision, he tips ...g over and they get on ...he fixing. It's the kind ...ng which tends to make ...ans—and Continentals— ... about the sanity of the ..., but it is a harmless tra... and it works.

...minute a price is fixed ... relayed to all the other ...arkets and important stock ...s around the world. Ironi... British citizens (like Amer...) are not allowed to buy ... gold unless they are ...sed dealers or jewellers; ...untry's balance of pay... couldn't stand it. If you ... to walk into a bank and ...old over the counter you ... to go to Zurich, the second ...st bullion market.

...ere is no reason to suppose that London will lose its pre-eminent position as a result of Britain's entry into the Common Market. But there is a sizable question mark over the future of gold itself.

Henry Ford called gold "the most useless thing in the world." That isn't really true—not, at least, while so many people still set store by it. But there is, today, widespread agreement that man's slavery to gold has long been one of the most absurd features of our so-called civilization.

Here is a soft, industrially unimportant metal that costs money to keep (it earns no interest, and it has to be guarded) and which has no intrinsic value. A gold bar doesn't even *look* pretty. You can wind a strip of gold around your loved one's finger, but a sparkling diamond will do at least as well. Your dentist can shove a chunk of gold into your mouth to fill a tooth, but it's not half as good as a nice, healthy, wholesome tooth. A piece of cheese would be more valuable if you were stranded on a desert island. And if you tried to pay your electricity bill with a gold nugget you would not only be regarded as a crank, but would almost certainly find yourself in trouble with the police.

Virtues

No one would deny, of course, that in the hands of a skilled jeweller gold can be turned into a thing of beauty and joy forever. And gold does have one other great virtue: its indestructibility.

But there has certainly been a good deal of, in my view, entirely justified argument in recent years over its role in international monetary affairs.

Croesus, king of Lydia, is credited with the introduction of gold coins and no doubt it seemed a good idea at the time. Gold certainly is more appealing than iron bars, cowrie shells and porpoise teeth—all of which have been used as money at some point of time. But is it the right symbol for the space age?

William Jennings Bryan, who sought the Presidency of the United States in 1896, urged his fellow countrymen "not to crucify mankind on a cross of gold." And G. K. Chesterton thought that "the golden age only comes to men when they have, if only for a moment, forgotten gold." Both comments were based, chiefly, on the appalling slaughter and misery which gold has caused over the centuries.

The Dollar

In this century, Winston Churchill's ill-advised decision to tie Britain's money to gold bullion had much to do with the depression, which developed in the thirties. The "discipline of gold," so warmly praised by the late Gen. de Gaulle (who didn't really know a very great deal about it), produced falling trade, a sharp decline in industrial production and massive unemployment. The experiment collapsed in 1931—and not before time.

More recently, the Western world's monetary system has been based on the so-called gold exchange standard. America, which has vast hoards of gold, agreed to buy and sell the stuff for dollars at a price fixed in 1934. This gave the dollar a direct link to gold and made it every bit as acceptable. Other Western currencies, including sterling, were pegged in terms of the dollar.

The system was virtually torpedoed, however, when Washington announced in the late sixties that it was no longer willing to make the dollar fully convertible.

The move was inspired by a series of "gold rushes"—wholesale attempts to get out of dollars and into gold—and many experts will tell you that the United States was being selfish. They would have preferred to see Washington raise the official price; this, they say, would have stopped the outflow, boosted gold production and led to substantial "dis-hoarding."

America based its refusal to pursue this line on two main arguments. The first is that an increase in the price of gold would enhance its status and put money into the pockets of the two main producers—Russia and South Africa. (There was also, I think, some resistance to the idea of handing a "victory" to De Gaulle, the most vocal advocate of the gold lobby.) The second, and much more important, argument was that gold is no longer the best means of financing a rapidly expanding volume of world trade. Even with a price increase, there simply would not be enough to go around.

SDRs

Instead, Washington supported a plan to create so-called "paper gold." Actually, it is neither gold nor paper, but very simply an automatic credit line which can be used between different countries. It serves as extra reserves in times of balance of payments difficulties.

The SDR scheme, as it is known officially, has worked reasonably well and there are many people who think the Western world should abandon gold altogether. But this is easier said than done. Gold still retains considerable mystique. It is still the one universally accepted medium of exchange: Given the opportunity, people who distrust paper currencies (partly because of rapid inflation) will be more than willing to settle in gold. Every time the newspapers mention that overworked word "crisis," thousands of people, on the Continent and elsewhere, rush out to buy gold. It is an emotional rather than logical reaction, but it is a factor no one can ignore.

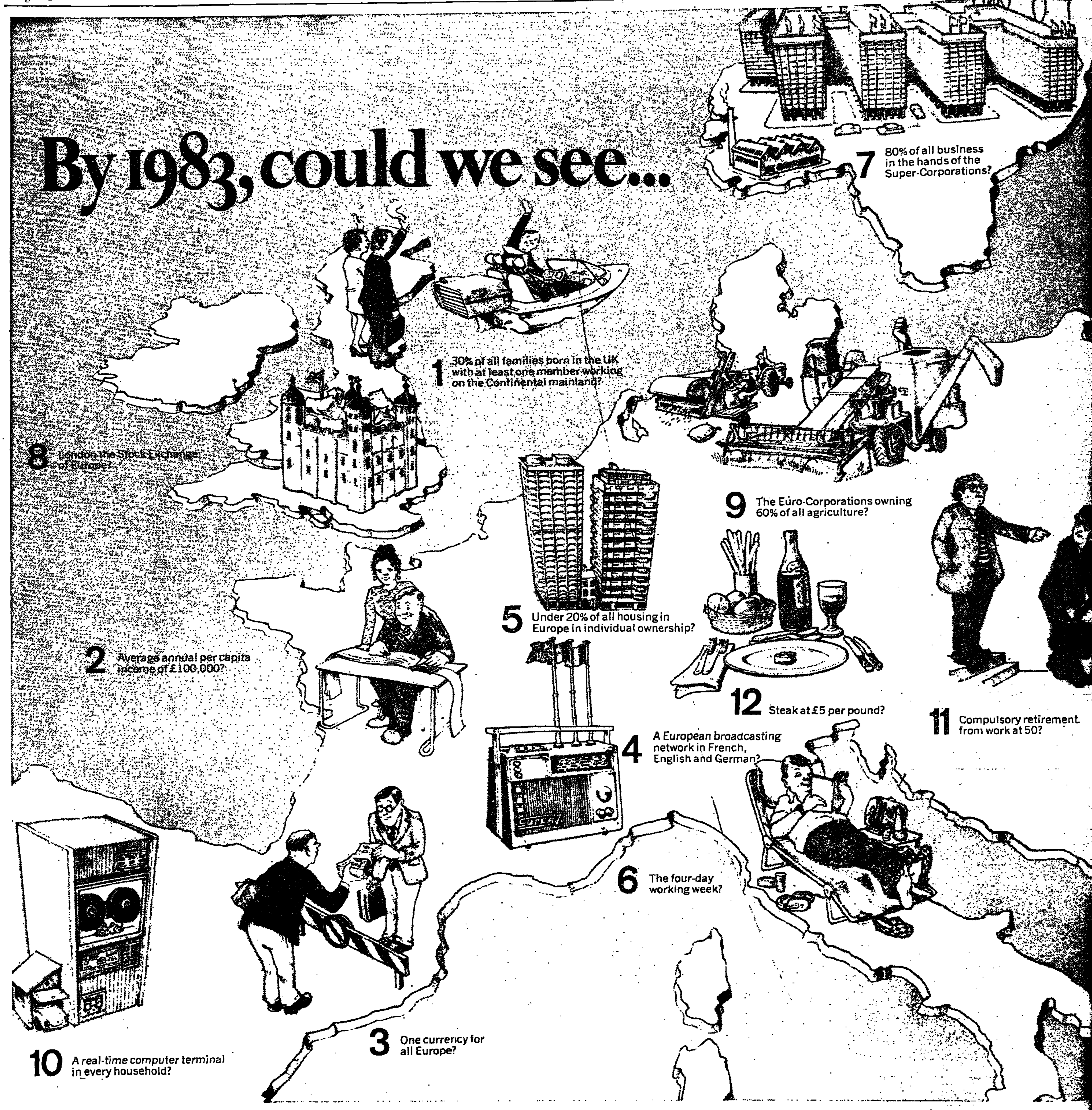
The strongest support for a continuing monetary role for gold has, up to now, comes from the European bloc and, under French influence, this will almost certainly remain the case in 1973. Britain does not share the French passion for gold, but accepts that, for the time being at least, the yellow metal still has an important role to play. I don't see any prospect of a full-scale "demonetization" in the near future. But the whole international monetary system is in the process of reconstruction and it would be rash to make any firm predictions about the final outcome.

EEC Policy

The European Economic Community itself is committed to working toward monetary union by 1980. If it comes off (having observed these kind of exercises for a good many years I am inclined to treat timetables with considerable skepticism) the present order will undergo some pretty startling changes. To make the plan work, EEC members would gradually have to give up much of their autonomy. It would clearly be difficult to make a Euro-currency work while they continue to have very different prices, cost and wage structures and rates of inflation. The EEC countries would have to drop exchange controls, introduce a unified balance of payments, set up a new Reserve Bank structure and closely cooperate in areas like taxation, credit control, company law and annual budgets. Eventually, this would lead to a common currency.

Keynes called gold a "barbarous relic" and I for one see no reason to disagree. One would like to think that, 10 or 20 years from now, its power will be broken. We shall still be attracted by its aesthetic appeal, and with production long past its peak (there are no new gold mines being developed anywhere in the Western world) people will continue to invest in gold purely as a commodity. London bullion dealers, certainly, do not expect to be thrown out of work during this century. But even its most fervent advocates would probably agree that man's slavery to the yellow metal is over.

Mr. Davis, former financial editor of The Guardian and author of several books, is editor of Punch.



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